

# NHS Wales Summarised accounts 2000-01

## FOREWORD

### Introduction

1. Section 98(4) of the National Health Service (NHS) Act 1977 requires all NHS organisations in Wales to prepare annual accounts and to transmit them to the National Assembly for Wales (the Assembly). The accounts must be audited by external auditors for the NHS in Wales appointed by the Audit Commission.
2. The Assembly is required to prepare, in such form as HM Treasury may direct, summarised accounts from the individual accounts of NHS Wales organisations and transmit them to the Auditor General for Wales on or before 30 November. The Auditor General for Wales is required to examine, certify, and report on the summarised accounts and can examine the accounts of the individual organisations, any records relating to them, and any reports of auditors thereon.
3. The annual accounts of all NHS Wales organisations have been audited and these summarised accounts are based on those audited figures. These accounts supplement the details of expenditure on healthcare contained within the accounts of the National Assembly for Wales for 2000-01.
4. In my capacity as Accounting Officer for NHS Wales, I have financial responsibility for health service expenditure. Accordingly, I have signed the summarised accounts of the health authorities, the NHS trusts, and the funds held on trust by health authorities and NHS trusts in Wales.
5. The chief executives of individual NHS organisations in Wales have a duty to their respective boards and, as accountable officers for those organisations, to me as Accounting Officer.

### Summarised Accounts

6. Three summarised accounts for NHS Wales have been prepared, one for each of:
  - the five health authorities in Wales;
  - the 15 NHS trusts in Wales; and
  - the funds held on trust by the health authorities and NHS trusts in Wales.

#### *(a) Health authorities*

7. Health authorities were established under Section 8 of the National Health Service Act 1977 to exercise such functions relating to the health service as directed by the Assembly. Their main functions are to prepare strategies and plans to meet the health needs of their population, commission services from health care providers and make payments to primary care contractors.

8. The summarised account for the health authorities in Wales is based on the audited accounts of the five Welsh health authorities and the audited account of payments for general dental services in Wales made by the Dental Practice Board.
9. The Auditor General for Wales issued a report *Maximising Income from Prescription Charges* in November 2000 which indicates a potential shortfall in revenue for the Health Service in Wales because individuals who are not eligible for exemption from prescription charges are nevertheless receiving drugs and appliances free of charge. This arises from a combination of a failure in systems to ensure that sufficient exemption checks are in place together with deliberate fraud to circumvent those controls. Health authority auditors have thus qualified the regularity aspect of the audit opinion in relation to this potential shortfall in prescription income.

***(b) NHS trusts***

10. NHS trusts were established under Section 5 of the National Health Service and Community Care Act 1990. NHS trusts are responsible for the provision of NHS hospital and community health care. They receive most of their income, from commissioners of health care, mainly the health authorities in Wales.
11. The final stage of reconfiguration of NHS trusts, the creation of the Cardiff and Vale NHS Trust, took place on 1 April 2000. This reduced the number of trusts to 15 on 1 April 2000.
12. The summarised account for the NHS trusts in Wales is based on the audited accounts of the fifteen Welsh NHS trusts. All fifteen trusts received an unqualified audit opinion from their external auditors.

***(c) Funds held on trust***

13. Health authorities have power under Section 90 of the NHS Act 1977 to accept, hold and administer funds on trust for all or any purposes relating to the health service. Section 11 of the National Health Service and Community Care Act 1990 extends this power to NHS trusts.
14. The summarised account for funds held on trust summarises the audited accounts for funds held on trust by all NHS Wales organisations and is presented in accordance with the Statement of Recommended Practice issued by the Charity Commissioners for England and Wales. The Charity Commissioners receive from each NHS body a copy of their audited funds held on trust accounts in the format shown in the Statement of Recommended Practice.
15. All twenty funds held on trust accounts received unqualified audit opinions.

## **Performance against Statutory Financial Duties**

### ***Health Authorities***

16. The statutory financial duty of health authorities is set out in Section 97A of the National Health Service Act 1977 which is to ensure that the expenditure attributable to the performance by the health authority “does not exceed the aggregate of the amounts allotted to the health authority for that year under section 97 (1)”. This means that health authorities must remain within their cash limits each financial year.
17. In 2000-01 all five health authorities achieved this statutory duty.

### ***NHS Trusts***

18. The National Health Service and Community Care Act 1990 defines an NHS trust financial duty as “Every NHS trust shall ensure that its revenue is not less than sufficient, taking one financial year with another, to meet outgoings properly chargeable to revenue account”. The definition is usually taken to mean that, taking one year with another, their total expenditure is not greater than their income. This is known as the break-even duty and trusts should plan to meet this duty each and every year. The statutory requirement to break-even taking one year with another, is normally based on a rolling three-year period, which is extendable to five years by agreement with the Assembly.
19. Two trusts, Pembrokeshire and Derwen NHS trust and Ceredigion NHS trust have had this duty extended to five years to coincide with their planned period of financial recovery. Although one NHS trust, the Welsh Ambulance Services NHS Trust, reported a deficit in 2000-01 no NHS trusts have failed this break-even duty.
20. The overall income and expenditure surplus of NHS trusts in Wales for 2000-01 was £7.632 million surplus compared to a deficit of £0.706 million in 1999-2000.
21. During the financial year, seven of the fifteen NHS trusts were in financial recovery because of a serious underlying financial problem. A total of £19.162 million non-recurring strategic assistance funding was provided either from health authorities (£18.412 million) or directly from the National Assembly (£0.750 million) to assist with cash difficulties during the recovery process. Without this extraordinary strategic assistance the net financial position of NHS trusts would have been a net deficit of £11.530 million.
22. In order to compare ‘like for like’, the 1999-2000 deficit included £9.578 million of extraordinary income making good the accounting loss incurred in 1998-99 as a result of introducing FRS11. Therefore a more appropriate comparator for 1999-2000 was a £10.284 million deficit. These positions, excluding extraordinary income, are shown on the face of the Income and Expenditure

Account.

## **Performance against Administrative duties**

### ***Break-even duty for health authorities***

23. From 2000-01 a break-even administrative duty for health authorities was introduced using a similar definition as that for NHS trusts; namely a three year rolling target of balancing income and expenditure. This target was introduced to ensure that all parts of the NHS in Wales were measured on a consistent basis as overall financial sustainability requires income and expenditure balance in all parts of the NHS.
24. The Government and Resources Act introduced a new statutory duty of not exceeding a resource limit. Resource Budgeting has yet to be fully introduced in Wales so this new provision has not been commenced. A new NHS plan for Wales *Improving Health in Wales* was launched in January 2000 which announced the abolition of health authorities in Wales. It is therefore not intended to introduce resource limits for health authorities. This new administrative duty, however, does ensure that the health authorities are required to operate their financial systems on both a cash and income & expenditure basis in this intervening period.
25. All five health authorities generated a surplus in 2000-01 totalling £16.792 million. The reasons for this surplus are multi-factorial but included non-recurrent income to finance the back-costs of the European Working Times Directive which was charged to expenditure in the previous financial year, slippage on new developments, underspends on the General Medical Services budget and lower than forecast drugs prescribing expenditure.

### ***External financing limit***

26. As part of the process of controlling public expenditure, the Assembly sets external financing requirements for each NHS trust. The calculation of each limit determines the amount a trust can receive from external sources, normally the Assembly, to finance capital expenditure. Trusts are not permitted to borrow in advance of need and must submit detailed cash flow statements to the Assembly in order to receive authorisation to draw public dividend capital. This target is not applicable to health authorities.
27. In 2000-01, the overall external financing limit for NHS trusts was set at £9.949 million (negative) and the actual external financing requirement was £10.438 million (negative). The negative value reflected the fact that internally generated depreciation was in excess of NHS trust capital expenditure (i.e. financing for new capital schemes, equipment and estate maintenance provided by the Assembly was less than the annual depreciation charge). A net repayment of Public Dividend Capital was therefore made to the Assembly.
28. All trusts in Wales met their external financing limits.

### ***Capital cost absorption duty***

29. The Assembly expects NHS trusts in Wales to meet the capital cost absorption duty, which measures the repayment of dividends and interest on government borrowing as a percentage of average relevant net assets. The measure is designed to improve control over capital cost absorption. Trusts that achieve rates between 5.5% and 6.5% are deemed to have achieved the target.
30. Ten NHS trusts achieved the required capital cost absorption rate target. The remaining five trusts had capital cost absorption rates in the range of 4.6% to 5.4% and 7.2% to 7.8%.
31. This financial target is intended to ensure that NHS trusts accurately forecast capital charges for forthcoming financial periods but there are some practical difficulties associated with uncertainties about capital allocations, estate re-valuations and the progress of new developments. It has been historically difficult to determine how well NHS trusts have achieved this target because of the huge impact the last estate valuation exercise had on forecast capital charges. It has thus been regarded with some scepticism within the NHS as to its achievement. A review of this financial target is currently underway to ensure that the achievement is more susceptible to the management control of NHS trusts as the introduction of resource budgeting in the NHS will mean that proper forecasting of capital charges will become more critical.
32. This target is not applicable to health authorities.

### **Summary of achievement of financial duties**

33. A summary of performance of each financial duty by individual organisation is provided at Annex 1.
34. All financial duties were achieved, bar the five NHS trusts that failed their capital cost absorption duty as described above.

### **Prompt payment code**

35. Although not a formal financial duty health authorities and NHS trusts are required to pay their creditors in accordance with HM Treasury's public sector payment compliance target. This target is to pay all 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.
36. The performance of each health authority and NHS trust in Wales, showing the percentage of bills paid within the 30-day target, and also the percentage of the total value of bills they represent, is shown in the table at Annex 4 to this Foreword. The number of bills paid within 30 days ranged from 66.6% to 95.2%, with an average of 81%. In value terms, the range was between 68.6% and 99.3%, with an average of 94.7%.
37. There is a general trend of improvement from the previous year although there are

a number of organisations still failing to reach an acceptable performance. I regard this as unacceptable and it is my intention to introduce this as a formal financial target in 2002-03. Twelve of the fifteen NHS Trusts are currently introducing a common financial management system which should assist them to meet this target. A working group has been established by the National Assembly, with the NHS, to ensure that best practice is adopted throughout all NHS organisations in readiness for the imposition of the stricter control from 2002-03.

## **Balance Sheet Issues**

### ***NHS Debt***

38. As a result of historic deficits in the Dyfed Powys area and in the former trusts now merged to form the Cardiff and Vale NHS Trust, the Assembly has provided brokerage (in the case of health authorities), and Public Dividend Capital loan advances (for NHS trusts) to meet medium term liquidity problems.
39. The cumulative debt with the Assembly included within the health authority summarised account is £30.389 million and in the NHS trust account some £12.486 million. The current policy of providing non-recurrent strategic assistance funding to those bodies in deficit, so long as they have a fully approved and deliverable recovery plan has resulted in this historic debt stabilising in 2000-01. Details of each NHS bodies debt is provided in Annex 3.
40. These debts are currently planned to be repaid from future growth once recovery plans to restore in-year financial balance have been achieved.

### ***Clinical Negligence Provisions***

41. At the 31<sup>st</sup> March 2001, liabilities for clinical negligence totalled £66.5 million in NHS trusts and a further £60.2 million in health authorities. These provisions and creditors are calculated on the basis of claims against the organisation, where it is assessed that there is a probable chance of the claim being settled.
42. Excluded from the provisions calculations included within the summarised accounts is a further estimated £218.648 million for disputed claims for alleged medical or employer negligence. These are disclosed in the notes to the accounts as contingent liabilities.
43. It should be noted that the methodology of calculating clinical negligence provisions differs from the treatment in the NHS (England) summarised account which also includes a provision for incidents incurred but not reported.

## **Welsh Risk Pool**

44. The Welsh Risk Pool (the Pool) was established to assist all Welsh health authorities and NHS trusts with risk management and settlement of claims. The Pool is a mutual self-insurance arrangement covering all risks associated with NHS activities, with the exception of business interruption and motor insurance.

Each claim made by an NHS trust carries a variable excess level based on the trust's compliance with Welsh Risk Management Standards.

45. The Pool is operated by the Conwy and Denbighshire NHS Trust and is managed by a Management Group comprising representatives from NHS trusts, health authorities and the Assembly.
46. Contributions are reviewed annually and calculated to produce a fund sufficient to cover anticipated payments during the financial year. If the fund is insufficient to meet all the claims against the Pool in year then all members are required to pay an additional premium. The Conwy and Denbighshire 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 and is underwritten by the National Assembly for Wales.
47. During the year, the Pool incurred expenditure of £10,417,000 (1999-2000: £12,258,000) which was met by premiums paid into the Pool by its members.

*Ann Lloyd*  
Accounting Officer

30 November 2001

### Performance of NHS Wales against Financial Duties

	Cash Limit	Non-failure of Break-Even Duty	External Financing Limit	Capital Cost Absorption Rate
Bro Taf Health Authority	✓	✓	-	-
Cardiff and Vale NHS Trust	-	✓	✓	✓
North Glamorgan NHS Trust	-	✓	✓	✓
Pontypridd and Rhondda NHS Trust	-	✓	✓	x
Velindre NHS Trust	-	✓	✓	x
Dyfed Powys Health Authority	✓	✓	-	-
Carmarthenshire NHS Trust	-	✓	✓	x
Ceredigion NHS Trust	-	✓	✓	x
Pembrokeshire and Derwen NHS Trust	-	✓	✓	✓
Powys Healthcare NHS Trust	-	✓	✓	✓
Gwent Health Authority	✓	✓	-	-
Gwent Healthcare NHS Trust	-	✓	✓	✓
Iechyd Morgannwg Health Authority	✓	✓	-	-
Bro Morgannwg NHS Trust	-	✓	✓	x
Swansea NHS Trust	-	✓	✓	✓
North Wales Health Authority	✓	✓	-	-
Conwy and Denbighshire NHS Trust	-	✓	✓	✓
North East Wales NHS Trust	-	✓	✓	✓
North West Wales NHS Trust	-	✓	✓	✓
Welsh Ambulance Services NHS Trust	-	✓	✓	✓

## NHS Wales Financial Performance by health economy area

	Surplus/(deficit)	
	2000-01 £000	1999-2000 £000 (Restated)
<b>Bro Taf Health Authority</b>	4,116	1,095
Cardiff and Vale NHS Trust	45	
North Glamorgan NHS Trust	161	2,368
Pontypridd and Rhondda NHS Trust	346	186
Velindre NHS Trust	491	1,358
Trusts abolished on reconfiguration		(4,071)
<b>Total for Bro Taf area</b>	5,159	936
<b>Dyfed Powys Health Authority</b>	5,222	(5,877)
Carmarthenshire NHS Trust	14	(2,923)
Ceredigion NHS Trust	246	5,281
Pembrokeshire and Derwen NHS Trust	72	295
Powys Healthcare NHS Trust	403	1,003
<b>Total for Dyfed Powys area</b>	5,957	(2,221)
<b>Gwent Health Authority</b>	314	(2,056)
Gwent Healthcare NHS Trust	16	61
<b>Total for Gwent area</b>	330	(1,995)
<b>Iechyd Morgannwg Health Authority</b>	1,466	2,111
Bro Morgannwg NHS Trust	10	37
Swansea NHS Trust	4,132	(976)
<b>Total for Iechyd Morgannwg area</b>	5,608	1,172
<b>North Wales Health Authority</b>	5,674	4,244
Conwy and Denbighshire NHS Trust	504	(399)
North East Wales NHS Trust	2,757	(2,960)
North West Wales NHS Trust	178	(53)
<b>Total for North Wales area</b>	9,113	832
Welsh Ambulance Services NHS Trust	(1,743)	87
All Health Authorities	16,792	(483)
All NHS Trusts	7,632	(706)
<b>All Wales Total</b>	24,424	(1,189)
Dental Practice Board	(146)	(458)

### Assembly loans to Health Authorities and NHS Trusts

	Loans outstanding as at 31 March 2000 £000	Movements in 2000-01 £000	Loans outstanding as at 31 March 2001 £000
<b>Health Authorities</b>			
Bro Taf	7,879	(1,200)	6,679
Dyfed Powys	23,710	-	23,710
Gwent	-		-
Iechyd Morgannwg	-		-
North Wales	-		-
<b>Total for Health Authorities</b>	<b>31,589</b>	<b>(1,200)</b>	<b>30,389</b>
<b>NHS Trusts</b>			
Cardiff and Vale	3,500	-	3,500
Carmarthenshire	3,174	-	3,174
Ceredigion	1,300	-	1,300
North East Wales	-	212	212
Pembrokeshire and Derwen	2,800	-	2,800
Swansea	4,127	(4,127)	-
Welsh Ambulance Services	-	1,500	1,500
<b>Total for NHS Trusts</b>	<b>14,901</b>	<b>(2,415)</b>	<b>12,486</b>
<b>Total Assembly Loans</b>	<b>46,490</b>	<b>(3,615)</b>	<b>42,875</b>

## Public Sector Payment Policy Performance

	Bills paid within 30-day target			
	2000-01		1999-2000	
	Number of bills %	Value of bills %	Number of bills %	Value of bills %
<b>Bro Taf Health Authority</b>	85.9	98.4	77.7	98.1
Cardiff and Vale NHS Trust	73.1	68.6		
North Glamorgan NHS Trust	86.6	89.6	81.2	86.9
Pontypridd and Rhondda NHS Trust	85.3	87.2	83.6	91.5
Velindre NHS Trust	89.6	90.2	89.3	84.4
<b>Dyfed Powys Health Authority</b>	95.0	99.3	79.4	98.3
Carmarthenshire NHS Trust	88.1	94.0	84.3	91.2
Ceredigion NHS Trust	91.8	88.8	86.4	83.2
Pembrokeshire and Derwen NHS Trust	87.2	94.1	77.2	80.4
Powys Healthcare NHS Trust	80.3	83.1	84.9	83.8
<b>Gwent Health Authority</b>	81.2	98.1	84.7	99.1
Gwent Healthcare NHS Trust	66.6	69.8	73.6	77.1
<b>Iechyd Morgannwg Health Authority</b>	93.4	99.2	85.9	99.3
Bro Morgannwg NHS Trust	82.2	84.6	72.5	77.4
Swansea NHS Trust	81.8	86.6	74.3	75.6
<b>North Wales Health Authority</b>	92.4	99.0	81.6	99.1
Conwy and Denbighshire NHS Trust	76.9	84.0	84.3	88.0
North East Wales NHS Trust	87.3	89.6	87.9	84.2
North West Wales NHS Trust	95.2	96.9	88.6	92.9
Welsh Ambulance Services NHS Trust	89.4	88.9	61.2	67.1
<b>All Health Authorities</b>	90.6	98.8	81.1	98.7
<b>All NHS Trusts</b>	80.5	82.4	76.5	78.1
<b>All Wales Total</b>	81.0	94.7	76.8	93.2

## **Health Authorities in Wales**

## **Statement of the National Assembly for Wales and Accounting Officer's responsibilities**

Section 98(4) of the National Health Service Act 1977 requires the National Assembly for Wales (the Assembly) to prepare a statement of accounts for each financial year in the form and on the basis directed by the Treasury. The accounts are prepared on behalf of the Assembly by the Accounting Officer on an accruals basis and must give a true and fair view of the state of affairs of the health authorities in Wales at the year end and of their income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Assembly is 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 and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Treasury have appointed the Director, NHS Wales as the Accounting Officer for the Summarised Account of health authorities in Wales. Her relevant responsibilities, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the National Assembly for Wales Accounting Officers' Memorandum, issued by the Treasury.

## Statement on the System of Internal Financial Control

As Accounting Officer for the NHS expenditure of the National Assembly for Wales, I am responsible for the maintenance of an effective system of internal financial control. I also appoint the Accountable Officers for each of the health authorities and NHS trusts in Wales. It is the responsibility of each Accountable Officer to ensure that there is an effective system of internal financial control within their individual organisations.

These systems can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

I have issued guidance to each Accountable Officer regarding corporate governance and systems of internal financial control, in particular setting out the minimum control standards that should be in place. I also require each Accountable Officer to make a statement on their system of internal financial control, supported by an auditor's report, with their annual accounts.

For the 2000-01 financial year all health authorities and NHS trusts made a statement on the system of internal financial control. Three health authorities indicated that they had weaknesses in their systems or had not met the minimum control standards throughout the year. I have reviewed these statements and the associated audit reports and I am satisfied that the issues raised are being dealt with appropriately by the Accountable Officers.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including the segregation of duties and various levels of delegation. In particular, it includes:

- \* Comprehensive budgeting systems;
- \* Regular reviews by my Directorate senior management team of monthly, quarterly and annual financial reports, which indicate financial performance against the forecasts;
- \* Setting targets to measure financial and other performance;
- \* Clearly defined capital investment control guidelines; and
- \* Project management control procedures.

The National Assembly for Wales has an internal audit service which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit service is informed by an analysis of the risk to which the body is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans for the NHS expenditure managed by the NHS Directorate are endorsed by the Assembly's Corporate Governance Committee. The Head of Internal Audit provides the Permanent Secretary of the National Assembly for Wales with an annual report on the activities of the internal audit service. This report includes an independent opinion of the adequacy and effectiveness of the National Assembly for Wales' system of internal financial control.

Note 30 to the summarised accounts of the health authorities explains that there is a potential shortfall of revenue due to all five authorities in respect of income from prescription charges. This potential shortfall results from individuals receiving drugs and appliances free of charge who may not be exempt from payment. The National Assembly is working with the health authorities to address the position during the financial year ending 31 March 2002.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Corporate Governance Committee, which oversees the work of the internal auditors, and comments made by the external auditors in their management letter and other reports.

Ann Lloyd  
Director, NHS Wales and Accounting Officer

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

I certify that I have audited the financial statements on pages 18 to 38 under section 98(4) of the National Health Service Act 1977. These summarised financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 22 to 25.

### **Respective responsibilities of the Accounting Officer and Auditor**

As described on page 13 the Director of NHS Wales as Accounting Officer is responsible for the preparation of summarised financial statements in accordance with the National Health Service Act 1977 and Treasury directions made thereunder and for ensuring the regularity of financial transactions. The Accounting Officer is also responsible for preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the summarised financial statements give a true and fair view and are properly prepared in accordance with the National Health Service Act 1977 and Treasury directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the National Assembly for Wales has not kept proper accounting records or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 14 and 15 reflects the National Assembly for Wales' compliance with Treasury's guidance on "Corporate governance: statement on the system of financial control". I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

### **Basis of opinion**

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

As stated in note 30, there is a potential shortfall in revenue for the health authorities in Wales because individuals who are not eligible for exemption from prescription charges are nevertheless receiving drugs and appliances free of charge. However, the evidence available was limited because the shortfall is not statistically quantified. Accordingly, the appointed auditors of all five health authorities in Wales have limited the scope of their audit opinions in respect of the regularity element. Further details of this matter are contained in my report on these financial statements.

### **Opinion**

In my opinion the summarised financial statements give a true and fair view of the state of affairs of health authorities in Wales at 31 March 2001 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with Section 98(4) of the National Health Service Act 1977 and directions made thereunder by the Treasury; and

in all material respects the expenditure and income have been applied for the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them except for potential loss in prescription income which could not be quantified by the health authorities and their appointed auditors.

See also my report on pages 42 to 44.

*John Bourn*  
Auditor General for Wales  
13 December 2001

National Assembly for Wales  
Cardiff Bay  
Cardiff,  
CF99 1NA

## Income and Expenditure Account for the year ended 31 March 2001

	Note	2000-2001 £000	1999-2000 £000 (Restated)
<b>Income</b>			
Assembly revenue funding	2	2,835,866	2,600,830
All other Exchequer income		28,408	23,530
Non Exchequer income		26,581	25,199
Release from General fund	13	14,849	19,706
		<b>2,905,704</b>	<b>2,669,265</b>
<b>Expenditure</b>			
Purchase of primary healthcare services	3	783,992	732,359
Purchase of secondary healthcare services	4	1,991,691	1,814,762
Other authority services	5	56,922	79,478
Health authority costs	6	47,595	45,967
		<b>2,880,200</b>	<b>2,672,566</b>
<b>Operating surplus /(deficit) for the year</b>		<b>25,504</b>	<b>(3,301)</b>
Utilisation of GP Fundholder Savings funded by the Health Authority		-	12,464
Net proceeds on Disposal of fixed assets surrenderable to the Assembly		<b>(8,858)</b>	<b>(10,104)</b>
<b>Surplus / (deficit) for the year</b>		<b>16,646</b>	<b>(941)</b>

All activities are continuing.

*The notes at pages 22 to 38 form part of this account.*

## Statement of Total Recognised Gains and Losses for the year ended 31 March 2001

		2000-2001	1999-2000
	Note	£000	£000
Surplus / (deficit) for the financial year	13	16,646	(941)
Unrealised surplus on revaluation of fixed assets	14	4,955	6,955
Reductions to reserves		<u>(14,654)</u>	<u>(23,800)</u>
<b>Total recognised gains and losses relating to the year</b>		<u>6,947</u>	<u>(17,786)</u>
Prior Year adjustment		(22,758)	
<b>Total gains and losses since last report</b>		<u>(15,811)</u>	

*The notes at pages 22 to 38 form part of this account.*

## Balance Sheet as at 31 March 2001

		<b>31 March 2001</b>	31 March 2000 (Restated)
	<b>Notes</b>	<b>£000</b>	£000
<b>Fixed assets</b>			
Intangible Fixed assets	10.1	<b>30</b>	60
Tangible Fixed assets	10.2	<b>98,763</b>	108,433
		<b>98,793</b>	108,493
<b>Current assets</b>			
Debtors	11	<b>241,551</b>	224,414
Cash at bank and in hand	26	<b>6,117</b>	1,943
		<b>247,668</b>	226,357
<b>Creditors</b>			
Creditors: amounts falling due within one year	12.1	<b>216,310</b>	201,399
<b>Net current assets</b>		<b>31,358</b>	24,958
<b>Total assets less current liabilities</b>		<b>130,151</b>	133,451
Creditors: amounts falling due after more than one year	12.2	<b>30,501</b>	37,176
Provisions for liabilities and charges	15	<b>50,623</b>	54,195
<b>Net assets</b>		<b>49,027</b>	42,080
<b>Financed by</b>			
General Fund	13	<b>19,456</b>	10,085
Revaluation reserve	14	<b>29,571</b>	31,995
		<b>49,027</b>	42,080

*The notes at pages 22 to 38 form part of this account.*

*Ann Lloyd*  
Accounting Officer

30 November 2001

## Cash Flow Statement for the year ended 31 March 2001

	Notes	2000-2001 £000	1999-2000 £000 (Restated)
Net cash inflow / (outflow) from operating activities	20	3,418	(7,329)
Capital expenditure and financial investment	23	9,430	1,728
Net cash outflow from financing	24	<b>(8,674)</b>	<b>(1,316)</b>
<b>Increase / (decrease) in cash</b>	26	<b>4,174</b>	<b>(6,917)</b>

*The notes at pages 22 to 38 form part of this account.*

## Notes to the Accounts

### Accounting policies 1.1 Accounting convention

This account has been prepared under the historical cost convention, modified to reflect changes in the value of fixed assets, and in accordance with the standard accounting practice for the NHS approved by the National Assembly for Wales and accounts directions issued by the Treasury. The accounts have been prepared on a consolidated basis by excluding inter health authority transactions and balances. The 2000-01 accounts are the first to be completed using the Resource Accounts format. As a consequence the Government Grant Reserve and the General Reserve in the Balance Sheet have merged to form a General fund. The Treasury has granted dispensation to continue with an Income and Expenditure format rather than an Operating Cost Statement for the remaining Health Authority life prior to their abolition on 31st March 2003.

### 1.2 Fixed assets

In 2000-01 the cost of capital no longer applies solely to fixed assets but to all the assets and liabilities less cash balances held at the Paymaster General Office and donated assets. The interest rate applied to capital charges in both financial years was 6%.

#### a. Capitalisation

All assets falling into the following categories are capitalised:

- i. tangible assets which are capable of being used for more than one year, and have a cost equal to or greater than £5,000;
- ii. groups of tangible assets which are interdependent or would normally be provided or replaced as a group with a total value in excess of £5,000 and an individual value of £250 or more;
- iii. computer software licences are capitalised as intangible assets where they may arise and are capable of being used for more than one year and have a cost, individually or as a group equal to or greater than £5000; and
- iv. intangible assets held for operational use are valued at historical cost.

#### b. Valuation

Fixed assets are valued as follows:

- i. land, buildings, installations and fittings are stated at their depreciated replacement cost. Surplus land and buildings are stated at open market value for their alternative use. Valuations are carried out by the District Valuer of the Inland Revenue at five yearly intervals. The last valuation was made on 31 March 1999. Between valuations price indices appropriate to the category of assets are applied to arrive at the current value;
- ii. equipment held for operational use is valued at current cost. Surplus equipment is valued at the net recoverable amount;
- iii. intangible assets held for operational use are valued at historical cost.

**c. Depreciation**

Depreciation is charged on each main class of tangible asset as follows:

- i. buildings, installations and fittings are depreciated on their current value over the assessed remaining life of the asset as advised by the District Valuer;
- ii. equipment is depreciated on current cost over the estimated life of the asset;
- iii. intangible assets are depreciated over a maximum life of 7 years.

**d. Profit and loss on sale of fixed assets**

The disposal of land and buildings results in a corresponding reduction in the General fund. Any difference between the net book value and income received from the sale of equipment will lead to an equal amount being released from the General fund to the Income and Expenditure Account.

**e. Impairment of fixed assets**

To ensure full compliance with Financial Reporting Standard 11 (Impairment of Fixed Assets and Goodwill), impairment of assets not met from the Revaluation Reserve is charged to the Income and Expenditure Account. An equal amount is released from the General fund to the Income and Expenditure Account to offset such charges.

**1.3 Losses and special payments**

Compensation for losses and special payments is often a significant sum, in particular with regards to clinical negligence cases. To spread the cost of larger claims, health authorities participate in a pooling arrangement (Welsh Risk Pool), which is managed by Conwy and Denbighshire NHS Trust. This is in accordance with Financial Reporting Standard 12.

Under these arrangements, health authorities are responsible for meeting the first £35,000 of any successful claim under the following categories:

- i. legal obligation (this includes both clinical and non-clinical negligence);
- ii. any incident of the service loss;
- iii. cases of arson or malicious damage where there is evidence to indicate that a health authority had secured its premises but these had subsequently been entered unlawfully; and
- iv. costs arising from personal injury cases (e.g. legal costs and compensation made to claimants).

The Welsh Risk Pool meets the costs of claims above the £35,000 excess.

Health authorities make an annual contribution to the Welsh Risk Pool. These contributions are charged to operating expenses as and when they become due. Health authorities account for all losses and special payments for which they are liable (including clinical negligence), which includes assistance due from the Welsh Risk Pool. They accrue for the estimated cost of certain or probable losses and special payments liabilities and disclose other potential payments as contingent liabilities.

#### **1.4 Pension contributions**

Health authorities participate in either the NHS pension scheme or private pension schemes. The NHS pension scheme is a statutory, defined contribution scheme, the provisions of which are laid down in the NHS Pension Scheme Regulations 1995 (SI 1995 No. 300). Health authorities pay employer contributions at the rates specified from time to time by the Assembly, as advised by the Government Actuary and with the consent of the Treasury. The contribution rate for 2000-01 was 5% of pensionable pay.

Additional pension costs arising from early retirements are not funded by the scheme except where the retirement is due to ill health. The Pensions Agency changed the arrangements for dealing with the costs of early retirements with effect from 6 March 1995. For early retirements which occurred before this date the additional costs are recharged to the trust and included within operating expenses as they arise. For early retirements not funded by the scheme from this date, the full amount of the liability for the additional cost is charged to the Income and Expenditure Account at the time the health authority commits itself to the retirement, regardless of the method of payment.

#### **1.5 Research and development**

Research and development expenditure is charged to the Income and Expenditure Account as it is incurred.

#### **1.6 Leases**

Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives. Rentals under operating leases are charged on a straight line basis over the terms of the leases.

#### **1.7 Auditors' remuneration**

Audit fees are separately disclosed in note 6 for the audit of the accounts of the individual health authorities and for non-statutory work.

#### **1.8 GP Fundholding**

All accumulated GP fundholder savings are recorded as a creditor, due to be re-paid to ex-fundholding practices. Amounts repatriated or time lapsed are transferred to the General Fund.

#### **1.9 Deferred Income**

Income received from the Assembly has been deferred into the next financial year where a clear indication exists that funds provided were for a specific purpose in accordance with Welsh Health Circular (2001)35 Accounting for Deferred Income.

#### **1.10 Prior Year Adjustments**

The following changes took effect in 2000-2001 :-

i) In previous years funds received from the National Assembly were credited to income in the year. For 2000-2001, recognition of such income has been deferred to the following year where there is a clear indication that the funding was provided for a specific purpose and that a future obligation exists to utilise the resources in accordance with Welsh Health Circular (2000) 35.

### **1.10 Prior Year Adjustments (continued)**

ii) The accounts now include a full consolidation of the Dental Practice Board's accounts for its activities in Wales. Previously these accounts were not prepared on a true and fair basis.

iii) Certain income and expenditure has been reclassified to accord more closely with the requirements of the Resource Accounting Manual.

iv) The Government Grant and Income and Expenditure reserves have been merged to form a General Fund. In addition realised gains and losses on the disposal of fixed assets are now transferred from the Revaluation Reserve to the General Fund.

The comparative figures for 1999-2000 have been restated accordingly.

<b>Assembly revenue funding</b>	<b>2</b>			<b>2000-2001 £000</b>	1999-2000 £000 (Restated)
		Advances to health authorities included within Health and Social Services Programme Costs		<b>2,755,382</b>	2,522,085
		Capital charges		<b>4,857</b>	6,899
		Other non-cash funding		<b>9,461</b>	22,387
		Net brokerage advances		-	(12,814)
		Dental Practice Board		<b>66,166</b>	62,273
				<b>2,835,866</b>	<b>2,600,830</b>

<b>Purchase of primary healthcare services</b>	<b>3</b>	<b>Cash limited £000</b>	<b>Non-cash limited £000</b>	<b>Total 2000-2001 £000</b>	1999-2000 £000 (Restated)	
		General Medical services	60,474	155,002	<b>215,476</b>	204,186
		Pharmaceutical services	384,814	70,786	<b>455,600</b>	420,952
		General Dental services	73	838	<b>911</b>	553
		General Ophthalmic services	-	21,059	<b>21,059</b>	20,069
		Dental Practice Board	-	90,946	<b>90,946</b>	86,599
			<b>445,361</b>	<b>338,631</b>	<b>783,992</b>	<b>732,359</b>

<b>Purchase of secondary health care services</b>	<b>4</b>			<b>2000-2001 £000</b>	1999-2000 £000
		Welsh NHS trusts		<b>1,778,969</b>	1,640,782
		Welsh Ambulance Services NHS Trust		<b>48,736</b>	44,806
		Other non-Welsh NHS bodies		<b>90,647</b>	79,548
		Other non-NHS providers of health care		<b>56,478</b>	35,482
		Expenditure on community services		<b>10,835</b>	13,414
		Other		<b>6,026</b>	730
				<b>1,991,691</b>	<b>1,814,762</b>

<b>Other authority services</b>	<b>5</b>	<b>2000-2001 £000</b>	1999-2000 £000 (Restated)
Expenditure of GP fundholder savings		(76)	12,130
Public Health Consultation Costs		3,213	2,661
Health Promotion		3,803	3,440
Cervical cytology laboratory and and non-laboratory costs		1,546	1,466
Nursing homes inspection service		1,108	946
Research and development		12	79
Losses and special payments (including bad debts)		10,874	6,952
Commuted pensions to early retirees		4,748	1,877
Support for All Wales Staff College		2,002	2,100
Miscellaneous		15,739	11,527
Interest payable		-	153
Depreciation and amortisation		4,790	5,162
Capital charge adjustment		4,673	6,450
Impairment Losses reimbursed to trusts		2,931	19,891
Loss on disposal of fixed assets		69	3,453
Costs on disposal of fixed assets		754	412
Costs incurred on non-operational properties		736	779
		<b>56,922</b>	<b>79,478</b>
<hr/>			
<b>Health authority costs</b>	<b>6</b>	<b>2000-2001 £000</b>	1999-2000 £000
Non-executive directors' remuneration		306	269
Other salaries and wages		28,616	26,491
Establishment expenses		5,354	5,560
Transport and moveable plant		179	197
Premises and fixed plant		8,011	7,866
External contractors		1,621	1,622
Auditors' remuneration - audit fees		652	571
Auditors' remuneration - other fees		266	159
Year 2000 I.T. costs		-	9
Interest payable		74	152
Local Health Group preparatory costs		-	44
Local Health Group non-healthcare costs		512	651
Miscellaneous		1,443	1,407
Depreciation and amortisation		365	375
Impairment charge		11	151
Capital charges adjustment-interest		183	442
Loss on disposal of fixed assets		-	1
Costs on disposal of fixed assets		2	-
		<b>47,595</b>	<b>45,967</b>

**Operating lease rentals****7 Operating expenses include the following amounts in respect of hire and operating lease rentals:**

	<b>2000-2001 £000</b>	1999-2000 £000
Hire of plant and machinery	20	22
Other operating leases	<b>819</b>	802
	<b>839</b>	<b>824</b>

**Annual commitments under non-cancellable operating leases are:**

	<b>Land and buildings £000</b>	<b>Other Leases £000</b>
<b>Operating leases which expire:</b>		
Within 1 year	11	-
Between 1 and 5 years	450	11
After 5 years	42	-

**Authority Directors' remuneration**

	<b>2000-2001 £000</b>	1999-2000 £000
<b>8</b>		
Non-executive Directors' remuneration	<b>303</b>	269
Executive Directors' remuneration:		
basic salaries	1,878	1,846
benefits	53	59
performance related bonuses	10	13
pension contributions	92	67
	<b>2,336</b>	<b>2,254</b>

£5,000 was waived by a Director at Gwent Health Authority. No allowances were paid in lieu.

**Directors' remuneration fell within the following ranges:**

	<b>2000-2001 Number</b>	1999-2000 Number
£ 0 - £ 5,000	6	19
£ 5,001 - £ 10,000	29	18
£ 10,001 - £ 15,000	1	1
£ 15,001 - £ 20,000	1	2
£ 20,001 - £ 25,000	4	3
£ 25,001 - £ 30,000	-	-
£ 30,001 - £ 35,000	-	-
£ 35,001 - £ 40,000	3	2
£ 40,001 - £ 45,000	-	1
£ 45,001 - £ 50,000	-	-
£ 50,001 - £ 55,000	-	3
£ 55,001 - £ 60,000	-	2
£ 60,001 - £ 65,000	3	1
£ 65,001 - £ 70,000	3	5
£ 70,001 - £ 75,000	4	7
£ 75,001 - £ 80,000	4	-
£ 80,001 - £ 85,000	-	1
£ 85,001 - £ 90,000	2	1
£ 90,001 - £ 95,000	2	4
£ 95,001 - £ 100,000	3	-
£ 100,001 - £ 105,000	1	-
£ 115,001 - £ 120,000	1	1

<b>Executive directors' and staff costs</b>	<b>9</b>	<b>2000-2001</b>	<b>1999-2000</b>
		<b>£000</b>	<b>£000</b>
Wages and salaries		<b>29,907</b>	27,810
Social security costs		<b>2,614</b>	2,374
Employment contributions to NHS Pensions Agency		<b>1,308</b>	937
Other pension costs		<b>200</b>	142
Agency staff		<b>477</b>	354
		<b>34,506</b>	<b>31,617</b>

Iechyd Morgannwg Health Authority disclosed staff benefits of £71,000 in relation to a car lease scheme in operation.

**Average number of employees (excluding agency staff) during the year was:**

	<b>2000-2001</b>	<b>1999-2000</b>
	<b>Average Number</b>	<b>Average Number</b>
Commissioning of health care	<b>500</b>	493
Other authority services	<b>651</b>	576
Local Health Group Board Members	<b>220</b>	229
Other local health group members	<b>224</b>	134
Primary care	<b>102</b>	92
Recharged staff	<b>25</b>	17
	<b>1,722</b>	<b>1,541</b>

During 2000-01 there were two early retirements from health authorities in Wales agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension scheme) will be £141,216.

**The following number of senior employees received remuneration (excluding pension contributions) falling within the following ranges:**

	<b>2000-2001</b>	<b>1999-2000</b>
	<b>Number</b>	<b>Number</b>
£ 40,001 - £ 45,000	<b>26</b>	40
£ 45,001 - £ 50,000	<b>31</b>	18
£ 50,001 - £ 55,000	<b>14</b>	27
£ 55,001 - £ 60,000	<b>17</b>	9
£ 60,001 - £ 65,000	<b>10</b>	11
£ 65,001 - £ 70,000	<b>14</b>	17
£ 70,001 - £ 75,000	<b>8</b>	5
£ 75,001 - £ 80,000	<b>5</b>	3
£ 80,001 - £ 85,000	<b>1</b>	1
£ 85,001 - £ 90,000	<b>2</b>	3
£ 90,001 - £ 95,000	<b>3</b>	1
£ 95,001 - £100,000	<b>1</b>	-
£100,001 - £105,000	<b>1</b>	-
£105,001 - £110,000	<b>-</b>	-
£110,001 - £115,000	<b>1</b>	1

**Fixed Assets**      **10.1 Intangible fixed assets**

	<b>£000</b>
<b>Gross replacement cost</b>	
At 1 April 2000	156
Additions	8
Indexation	4
Transfers	72
Disposals	(14)
<b>At 31 March 2001</b>	<b>226</b>
<b>Amortisation</b>	
At 1 April 2000	96
Indexation	3
Provided during the year:	44
Transfers	62
Disposals	(9)
<b>At 31 March 2001</b>	<b>196</b>
<b>Net book value at 31 March 2001</b>	<b>30</b>
Net book value at 1 April 2000	60

**10.2 Tangible fixed assets**

	<b>Land</b>	<b>Buildings, installations and fittings</b>	<b>Equipment</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Gross replacement cost</b>				
At 1 April 2000	31,886	90,439	5,541	127,866
Indexation	-	1,052	69	1,121
Additions - purchased	12	25	139	176
Transfers	15	(15)	5	5
Revaluation	3,499	483	-	3,982
Impairments	(11)	0	-	(11)
Disposals	(9,599)	(1,177)	(156)	(10,932)
<b>At 31 March 2001</b>	<b>25,802</b>	<b>90,807</b>	<b>5,598</b>	<b>122,207</b>
<b>Depreciation</b>				
At 1 April 2000	-	14,659	4,774	19,433
Indexation	-	98	51	149
Transfers	-	-	5	5
Disposals	-	(1,101)	(153)	(1,254)
Provided during the year:	-	4,847	264	5,111
<b>At 31 March 2001</b>	<b>-</b>	<b>18,503</b>	<b>4,941</b>	<b>23,444</b>
<b>Net book value at 31 March 2001</b>	<b>25,802</b>	<b>72,304</b>	<b>657</b>	<b>98,763</b>
Net book value at 1 April 2000	31,886	75,780	767	108,433

**Fixed Assets  
(continued)****The net book value of land and buildings at 31 March 2001 comprises:**

	<b>31 March 2001 £000</b>	31 March 2000 £000
Freehold	<b>93,819</b>	103,324
Long Leasehold	<b>4,287</b>	4,342
Short Leasehold	-	-
	<b><u>98,106</u></b>	<u>107,666</u>

**Net loss on disposal of fixed assets**

	<b>2000-2001 £000</b>	1999-2000 £000
net book values of fixed asset disposals	<b>9,683</b>	14,018
less gross proceeds of sale	<b>(9,614)</b>	(10,564)
loss on disposal of fixed assets	<b><u>69</u></b>	<u>3,454</u>

In the year the authorities paid over to the National Assembly for Wales net proceeds from disposal of £8,858,000 and retained the costs of disposal, met by the authorities of £756,000.

No assets were held under finance leases or hire purchase contracts at the balance sheet date (1999-2000 nil finance leases)

<b>Debtors</b>	<b>11 Amounts falling due within one year</b>	<b>31 March</b>	31 March
		<b>2001</b>	2000
		<b>£000</b>	£000
			(Restated)
	National Assembly for Wales	<b>138,268</b>	122,634
	NHS trusts	<b>4,200</b>	14,655
	Welsh Risk Pool	<b>69,330</b>	59,846
	Capital Debtors	<b>97</b>	-
	Other debtors	<b>7,852</b>	6,762
	Provision for irrecoverable debts	<b>(274)</b>	(418)
	Prepayments and accrued income	<b>2,695</b>	884
		<b>222,168</b>	204,363
	<b>Amounts falling due after one year</b>		
	NHS trusts	<b>6,679</b>	6,679
	Welsh Risk Pool	<b>12,691</b>	13,359
	Other debtors	<b>13</b>	11
		<b>19,383</b>	20,051
	Total Debtors	<b>241,551</b>	224,414
<b>Creditors:</b>	<b>12.1</b>	<b>31 March</b>	31 March
<b>amounts falling due</b>		<b>2001</b>	2000
<b>within one year</b>		<b>£000</b>	£000
			(Restated)
	National Assembly for Wales	<b>650</b>	4,984
	NHS trusts	<b>35,103</b>	36,907
	Income tax and social security	<b>1,087</b>	1,031
	Non-NHS creditors	<b>95,871</b>	91,166
	Capital Creditors	<b>517</b>	507
	Assembly loans	<b>-</b>	1,200
	GPFH	<b>6,080</b>	8,317
	Pensions relating to other staff	<b>716</b>	396
	Accruals & deferred income	<b>24,153</b>	13,200
	Non-NHS creditors		
	-losses and special payments	<b>13,733</b>	12,177
	Other creditors	<b>38,400</b>	31,514
		<b>216,310</b>	201,399
<b>Creditors:</b>	<b>12.2</b>	<b>31 March</b>	31 March
<b>amounts falling due</b>		<b>2001</b>	2000
<b>over one year</b>		<b>£000</b>	£000
	NHS trusts	<b>-</b>	6,685
	Assembly loans -Brokerage	<b>30,389</b>	30,389
	Pensions: relating to staff	<b>112</b>	102
		<b>30,501</b>	37,176

<b>General Fund</b>	<b>13</b>		<b>£000</b> (Restated)
		At 1 April 2000	10,085
		Surplus for the year	16,646
		Additions	184
		Transfers	11
		Transfer from Revaluation Reserve	7,379
		Release from General fund	(14,849)
		<b>At 31 March 2001</b>	<b>19,456</b>

<b>Revaluation reserve</b>	<b>14</b>		<b>£000</b> (Restated)
		At 1 April 2000	31,995
		Revaluations and indexation	4,955
		Transfer to General fund	(7,379)
		<b>At 31 March 2001</b>	<b>29,571</b>

<b>Provisions for liabilities and charges</b>	<b>15</b>		<b>Adjustment to provision</b>					
		<b>At 1 April 2000</b>	<b>set up in a previous year</b>	<b>Unwinding of discount</b>	<b>Arising during the year</b>	<b>Utilised during the year</b>	<b>At 31 March 2001</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	
		Clinical negligence	50,266	3,100	-	4,057	(10,922)	46,501
		Personal injury	364	15	-	(42)	17	354
		Defence legal fees & other administrative costs	1,228	414	-	225	(245)	1,622
			<u>51,858</u>	<u>3,529</u>	<u>-</u>	<u>4,240</u>	<u>(11,150)</u>	<u>48,477</u>
		Staff pensions	1,898	-	41	-	(376)	1,563
		Other	439	(23)	-	508	(341)	583
			<u>54,195</u>	<u>3,506</u>	<u>41</u>	<u>4,748</u>	<u>(11,867)</u>	<u>50,623</u>

Health authorities estimate that in 2001-02 they will receive £31,572,000 and in 2002-03 and beyond £16,905,000 from the Welsh Risk Pool in respect of losses and special payments (including clinical negligence).

<b>Contingent liabilities</b>	<b>16</b>		<b>2000-2001</b> <b>£000</b>	<b>1999-2000</b> <b>£000</b>
		<b>Authorities reported contingent liabilities as follows:</b>		
		Legal claims for alleged medical or employer negligence	68,834	66,459
		Other	284	-
			<u>69,118</u>	<u>66,459</u>

Losses and special payments	17	Contribution to Welsh Risk Pool £000	Payments not previously accrued £000	Increase/decrease in provision for future payments £000	Total	1999-2000
					2000-2001 £000	£000
Clinical negligence		-	533	16,857	17,390	28,048
Personal injury		-	(62)	113	51	492
All other losses and special payments		-	24	-	24	71
Defence legal fees and other administrative costs		-	254	722	976	841
Welsh Risk Pool/insurance premiums		9,659	-	-	9,659	5,893
Irrecoverable debts		-	-	(23)	(23)	122
<b>Gross cost</b>		<b>9,659</b>	<b>749</b>	<b>17,669</b>	<b>28,077</b>	<b>35,467</b>
Less: income received/due from Welsh Risk Pool					(17,203)	(28,515)
Net cost					<b>10,874</b>	<b>6,952</b>

There is no link between note 15 and note 17 as provisions are now being disclosed at their gross value and claims assessed to have a likelihood of settlement in excess of 95% are being treated as creditors rather than provisions.

Analysis of total settlements made in year	18	Number of cases	Excess met by health authority £000	Settlement from Welsh Risk Pool £000	Total	1999-2000
					2000-2001 £000	£000
<b>(i) Clinical negligence</b>						
Settlements made in year previously accrued		135	845	18,015	18,860	6,460
Settlements made in year not previously accrued		81	592	199	791	1,474
		<b>216</b>	<b>1,437</b>	<b>18,214</b>	<b>19,651</b>	<b>7,934</b>
<b>(ii) Other cases</b>						
Settlements made in year previously accrued		8	52	110	162	464
Settlements made in year not previously accrued		50	306	(31)	275	185
		<b>58</b>	<b>358</b>	<b>79</b>	<b>437</b>	<b>649</b>

There were 14 settlements exceeding £100,000, of which all were attributable to clinical negligence, totalling, £11,066,615. In addition, 19 cumulative interim payments exceeded £100,000.

<b>Capital commitments</b>	<b>19</b>	Health authorities had no capital commitments contracted at 31 March 2001 (as at 31 March 2000 the contracted value was also nil).		
<b>Reconciliation of surplus / (deficit) to operating cash flows</b>	<b>20</b>		<b>2000-2001 £000</b>	1999-2000 £000
		Net surplus / (deficit) from operating activities	<b>25,504</b>	(3,301)
		Adjust for non-cash transactions (see note 22)	<b>(1,318)</b>	4,801
		Adjust for movements in working capital other than cash (see note 21)	<b>(8,901)</b>	(1,572)
		Use of provisions	<b>(11,867)</b>	(7,257)
		<b>Net cash inflow / (outflow) from operating activities</b>	<b>3,418</b>	<b>(7,329)</b>
<b>Movement in working capital</b>	<b>21</b>		<b>2000-2001 £000</b>	1999-2000 £000 (Restated)
		Increase in debtors	<b>(17,137)</b>	(64,621)
		Increase in creditors	<b>8,236</b>	63,049
		<b>Movement in working capital</b>	<b>(8,901)</b>	<b>(1,572)</b>
<b>Non-cash transactions</b>	<b>22</b>		<b>2000-2001 £000</b>	1999-2000 £000
		Releases from reserves	<b>(14,848)</b>	(19,706)
		Depreciation and other write-offs	<b>5,155</b>	5,537
		Impairment of fixed assets	<b>11</b>	151
		Loss on disposal of fixed assets	<b>69</b>	3,504
		Non-cash provisions	<b>8,295</b>	14,497
		In-year surrender of GPFH savings	<b>-</b>	818
			<b>(1,318)</b>	<b>4,801</b>

<b>Analysis of capital expenditure and financial investment</b>	<b>23</b>		<b>2000-2001</b>	1999-2000
			<b>£000</b>	£000
		Payments to acquire fixed assets	<b>(184)</b>	(299)
		Receipts from the sale of fixed assets	<b>9,614</b>	2,027
		Net cash inflow	<b>9,430</b>	<b>1,728</b>
<hr/>				
<b>Analysis of financing</b>	<b>24</b>		<b>2000-2001</b>	1999-2000
			<b>£000</b>	£000
		Capital funding	<b>184</b>	299
		Surrender of income from sale of fixed assets	<b>(8,858)</b>	(1,615)
		Net cash outflow from financing	<b>(8,674)</b>	<b>(1,316)</b>
<hr/>				
<b>Reconciliation of net cash flow to movement in net debt</b>	<b>25</b>		<b>2000-2001</b>	1999-2000
			<b>£000</b>	£000
		Increase / (decrease) in cash in the period	<b>4,174</b>	(6,917)
		Cash inflow - brokerage advances	-	(16,479)
		Cash outflow - brokerage repayment	<b>1,200</b>	3,665
		Change in net debts resulting from cash flows	<b>5,374</b>	(19,731)
		<b>Net debt at 1 April</b>	<b>(29,646)</b>	(9,915)
<b>Net debt at 31 March</b>	<b>(24,272)</b>	<b>(29,646)</b>		
<hr/>				
<b>Analysis of changes in net debt</b>	<b>26</b>		<b>As at</b>	<b>As at</b>
			<b>1 April</b>	<b>31 March</b>
			<b>2000</b>	<b>2001</b>
			<b>£000</b>	<b>£000</b>
		Cash		
		<b>flows</b>		
		<b>£000</b>		
Cash at bank and in hand	1,943	4,174	<b>6,117</b>	
Debt due within one year	(1,200)	1,200	-	
Debt due after one year	(30,389)	-	<b>(30,389)</b>	
	<b>(29,646)</b>	<b>5,374</b>	<b>(24,272)</b>	

The debt incurred by health authorities consists of brokerage loans from the National Assembly for Wales to assist with cashflow shortages.

Cash balances held in accounts with the Paymaster General's Office amount to £6,039 million.

		<b>2000-2001</b>	1999-2000
		<b>£000</b>	£000
<b>Reconciliation of movements in funds</b>	<b>27</b>		(Restated)
		<b>16,646</b>	(941)
	Surplus for the year		
	Transfer of Fixed Assets	<b>11</b>	-
	Transfer of GP fundholder savings from General Reserve to Creditors	-	(11,646)
	Revaluations and indexation	<b>4,955</b>	6,955
	Fixed asset additions	<b>184</b>	299
	Disposals and write offs	<b>(9,683)</b>	(14,018)
	Depreciation	<b>(5,155)</b>	(5,537)
	Impairment of fixed assets	<b>(11)</b>	(151)
	Net increase in Funds	<b>6,947</b>	(25,039)
Funds at 1 April	<b>42,080</b>	67,119	
<b>Funds at 31 March</b>	<b>49,027</b>	42,080	

**Related party transactions**      **28** The National Assembly for Wales was regarded as a related party. During the year the health authorities had a significant number of material transactions with the Assembly and with other NHS bodies such as NHS trusts.

All five health authorities undertook related party transactions. The details of these can be found in the underlying accounts.

**Drugs expenditure**      **29** A shortage of generic drugs in 1999-2000 resulted in an increase in the time taken to process prescriptions by the Prescribing Services Units (PSU), part of Health Solutions Wales (HSW) within Bro Taf Health Authority.

As a result, during 1999-2000 each month's prescription transactions took significantly longer than usual to process and a substantial backlog of unpriced prescriptions occurred. By the end of 1999-2000 prescriptions for the period April 1999 to September 1999 had been priced in full. A sampling methodology was developed by HSW to generate materially accurate payments to pharmacists for the period October 1999 to March 2000. Under this methodology all small pharmacies, dispensing doctors and personally administered practices were priced in full with the results extrapolated to reflect the total of prescriptions dispensed. An estimate of expenditure on pharmaceutical services was calculated on this basis and included in the authorities' accounts for 1999-2000.

Pharmacists who have agreed to be paid in accordance with the sampling methodology have been paid. Those who wish to be paid based on the actual cost of the prescriptions submitted for pricing will be paid on this basis once HSW are able to undertake pricing of these prescriptions (currently anticipated to commence in February 2002). The estimate of expenditure on pharmaceutical included in the authorities' accounts for 1999-2000 was reviewed in 2000-01 and amended where appropriate.

For 2000-01 full pricing of all prescriptions has been undertaken for April 2000 to February 2001 and an estimate of the costs of prescribing for March 2001 has been included.

**Prescription Income** 30 Under the National Health Service (Charges for Drugs and Appliances ) regulations 1989, patients are currently required to pay to the dispensing pharmacist an amount of £6 for each item dispensed to them in respect of a doctor's prescription. There are a large number of exemptions available and only about 9% of patients are required to pay for their prescriptions. Nonetheless a significant amount of income is collected and the accounts of the five health authorities for 2000-01 include an amount of £21.5 million.

A review carried out in England and Wales in 1996 identified a significant loss of income to the NHS as a consequence of prescription charge evasion. As a result new point of dispensing checks were introduced in England and Wales in April 1999. Under these arrangements pharmacists, who were independent contractors are required to obtain proof of entitlement from any patient claiming exemption and where a patient is unable to provide such evidence pharmacists should annotate the prescription form accordingly. All prescription forms are forwarded to Health Solutions Wales for processing and determination of the amounts payable to pharmacists that is the cost of drugs prescribed plus a dispensing fee less income collected from patients.

The National Assembly for Wales and the Welsh Health Authorities have not been in a position to put in place comprehensive systems and procedures to identify and recover monies due but not collected by independent pharmacists. Consequently the Authority recognises that there is a potential shortfall of revenue in the accounts because individuals who are not entitled to exemption from prescription charge may nevertheless be receiving drugs and appliances free of charge.

The National Assembly for Wales is working with the Health Authorities, Health Solutions Wales and the Director of Counter Fraud in Wales and has developed an action plan to address the position during the financial year ending 31 March 2002. In addition each Health Authority carries out many checks to ensure as much prescription income as possible is collected. These checks indicate that whilst many patients claim exemptions under incorrect categories they are nevertheless eligible under other categories.

**Prior year adjustments**

31 The changes in accounting policy (note 1.10) and the necessary changes to the comparative figures for 1999-2000 have resulted in a reduction to the surplus reported for the year and the reported value of the reserves at 31 March 2000 is as follows :

	Surplus/(Deficit) for 1999-2000 £000	Reserves at 31 March 2000 £000
As reported	4,938	64,838
Inclusion of Dental Practice Board	(458)	(10,909)
Adjustment for Deferred income recognition	(5,421)	(11,849)
Restated	<u>(941)</u>	<u>42,080</u>

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## **THE NATIONAL HEALTH SERVICE IN WALES**

### **ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH SECTION 98(4) OF THE NATIONAL HEALTH SERVICE ACT 1977**

1. In this Direction, unless the context otherwise requires, “the Authorities” means each and every Health Authority in Wales.
  
2. The Treasury directs that an account, summarised by consolidation, of the Health Authorities in Wales shall be prepared by the National Assembly for Wales in respect of the financial year ended 31 March 2000 and subsequent financial years. The basis of preparation and form of accounts shall be as set out in the following paragraphs and Schedules.

#### **BASIS OF PREPARATION**

3. The consolidated account of the Health Authorities shall be prepared from the audited accounts of the individual Health Authorities to which it relates and shall comply with:
  - (a) generally accepted accounting practice in the United Kingdom (UK GAAP);
  - (b) the accounting and disclosure requirements of the Companies Act;
  - (c) all relevant accounting standards issued or adopted by the Accounting Standards Board, in so far as they are appropriate to the NHS in Wales and are in force for the financial year for which the accounts are to be prepared;
  - (d) all relevant guidance given in the Health Authority Manual for Accounts;
  - (e) the historical cost convention modified by the inclusion of fixed assets at their value to the business by reference to current costs; and stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.

#### **FORM AND CONTENT**

4. The consolidated account of the Health Authorities shall comprise a foreword, an income and expenditure account, a balance sheet, a cash flow statement and a statement of total recognised gains and losses, including such notes as are necessary to ensure a proper understanding of the accounts.
  
5. The consolidated account of the Health Authorities shall give a true and fair view of the state of affairs as at the end of the financial year and of the income and expenditure, gains and losses, and cashflows during the year.
  
6. The foreword and balance sheet shall be signed by the Accounting Officer and dated.

**MISCELLANEOUS**

7. The direction shall be reproduced as an appendix to the published accounts.
8. This direction supersedes the direction dated 12 February 1999.

*B Glicksman*

**TREASURY OFFICER OF ACCOUNTS**

16 October 2000

**Schedule 1****APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES ACT AND ACCOUNTING REQUIREMENTS****Companies Act**

1. The disclosure exemptions permitted by the Companies Act shall not apply to the NHS Unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate to the NHS, the information relating to NHS bodies shall be contained in paragraph 33 of Schedule 4 to the Companies Act.
3. NHS bodies are not required to provide the historical cost information described in Paragraph 33 of Schedule 4 to the Companies Act.

**Accounting Standards**

4. NHS bodies are not required to include a note showing the historical cost profits and losses as described in FRS 3.

**Schedule 2****ADDITIONAL REQUIREMENTS**

1. The foreword shall include a statement that the consolidated accounts have been prepared to comply with a Direction given by the Treasury in accordance with Section 98(4) of the NHS Act 1977.
2. The foreword shall also contain a description of the statutory background and main Functions of the NHS bodies to which it relates together with a fair review of their operational and financial activities, and a summary of their performance against targets.
3. The consolidated income and expenditure account and balance sheet shall have regard to the profit and loss account format 2 and the balance sheet format 1 prescribed in schedule 4 to the Companies Act, modified as appropriate.

# Summarised account of Health Authorities in Wales: 2000-01

## Report by the Auditor General for Wales

### Introduction

1. The summarised account of the health authorities in Wales has been prepared by the National Assembly for Wales under Section 98(4) of the National Health Service Act 1977. It is a consolidation of the financial results of the five health authorities and the Dental Practice Board's general dental services in Wales.
2. Appointees of the Audit Commission have audited the underlying accounts prepared by the health authorities and the Dental Practice Board. My responsibility is to form an opinion on the summarised account.
3. I have limited the scope of the regularity element of my audit opinion on the 2000-01 summarised account of Health Authorities in Wales in respect of a potential shortfall in revenue from prescription charges due to the NHS in Wales that cannot be quantified. This report sets out the background to that decision. I have given unqualified opinions on the 2000-01 summarised accounts of the NHS trusts in Wales and the funds held on trust by NHS bodies in Wales.

### Prescription income

4. Each month independent pharmacists send all prescriptions that they have dispensed to Health Solutions Wales, the body responsible for pricing the drugs and appliances dispensed. Health Solutions Wales, a part of Bro Taf Health Authority, calculates the payment due to each pharmacist for those items dispensed. In making this calculation, Health Solutions Wales takes account of prescription charges collected by a pharmacist for deduction from any payment due. Health Solutions Wales passes the priced information on to the health authorities so that each can make the appropriate payments to the pharmacists in its area.
5. In my report to the National Assembly, *Maximising Income from Prescription Charges*, published in November 2000, I estimated that around £15 million a year may be lost as a result of exemption from prescription charges being

claimed by individuals who do not meet the relevant criteria. To put this figure in context, the income generated by prescription charges in Wales during 2000-01 amounted to £21.6 million.

6. My estimate of £15 million a year was based on a detailed analysis of just under 2,000 prescriptions priced for September 1999. This found that in nine per cent of those cases where an individual had claimed exemption from prescription charges there was, prima facie, no entitlement to exemption. There were a number of possible reasons for such non-entitlement. For example, at the time prescriptions were dispensed, those individuals were not in receipt of a qualifying social security benefit or did not have a relevant Health Authority Exemption Certificate.
7. The health authorities in Wales did not have systems and procedures in place to identify and recover monies due to NHS Wales but not collected by independent pharmacists. However, the health authorities, working with the National Assembly and Health Solutions Wales, have developed an action plan to address the problem during the financial year ending 31 March 2002.

### **Audit opinions on the accounts of the five health authorities**

8. The appointed auditors of all five health authorities concluded that the evidence available was limited because the shortfall in revenue for each individual authority was not statistically quantified. There were no other procedures that they could adopt to determine the shortfall in 2000-01 with additional certainty. Accordingly they have limited the scope of the regularity element of their audit opinions in all five cases. This form of limitation of audit scope is used where a matter is material but not pervasive to the accounts. I have placed a similar limitation on the scope of my opinion on the summarised account of the health authorities in Wales for 2000-01.
9. It would have been inappropriate for the appointed auditors to use the analysis from my report as a statistically valid means of estimating the level of lost revenue in 2000-01. The prescriptions analysed were from one month of the previous financial year for the purposes of a value for money examination, and the methods of data collection and analysis were not designed to provide statistically valid estimates for future financial years.

## **Dental Practice Board**

10. The appointed auditors of the Dental Practices Board have qualified their opinion on the account for General Dental Services in England and Wales. The Board maintains procedures designed to monitor and limit inappropriate expenditure. In respect of these procedures, estimates are made of the level of inappropriate expenditure from all sources, including administrative error, misunderstanding of regulations, inappropriate or poor quality work and deliberate theft.
11. For 2000-01, the Board has estimated that for England and Wales combined, approximately £70 million could have been paid in these ways, of which almost half was in respect of inappropriate claims for exemption from, or remission of, patient charges. It is not possible to apportion this figure between England and Wales. However, total expenditure on the Board's activities in Wales was £90.9 million for 2000-01. In the context of the summarised account, which contains expenditure of £2.9 billion, the likely level of such inappropriate expenditure for Wales on general dental services is unlikely to be material. I have not therefore made specific mention of it in my opinion on that account.

John Bourn  
Auditor General for Wales  
13 December 2001

National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA

# **NHS Trusts in Wales**

## **Statement of the National Assembly for Wales and Accounting Officer's responsibilities**

Section 98(4) of the National Health Service Act 1977 requires the National Assembly for Wales (the Assembly) to prepare a statement of accounts for each financial year in the form and on the basis directed by the Treasury. The accounts are prepared on behalf of the Assembly by the Accounting Officer on an accruals basis and must give a true and fair view on the state of affairs of the NHS trusts in Wales at the year end and their income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Assembly is 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

The Treasury has appointed the Director, NHS Wales as the Accounting Officer for the summarised account of NHS trusts in Wales. Her relevant responsibilities, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the National Assembly for Wales Accounting Officers' Memorandum, issued by the Treasury.

## Statement on the System of Internal Financial Control

As Accounting Officer for the NHS expenditure of the National Assembly for Wales, I am responsible for the maintenance of an effective system of internal financial control. I also appoint the Accountable Officers for each of the NHS trusts in Wales. It is the responsibility of each Accountable Officer to ensure that there is an effective system of internal financial control within their individual organisations.

These systems can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

I have issued guidance to each Accountable Officer regarding corporate governance and systems of internal financial control, in particular setting out the minimum control standards that should be in place. I also require each Accountable Officer to make a statement on their system of internal financial control, supported by an auditor's report, with their annual accounts.

For the 2000-01 financial year all NHS trusts made a statement on the system of internal financial control. Four NHS trusts indicated that they had weaknesses in their systems or had not met the minimum control standards throughout the year. I have reviewed these statements and the associated audit reports and I am satisfied that the issues raised are being dealt with appropriately by the Accountable Officers.

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures including the segregation of duties and various levels of delegation. In particular, it includes:

- \* Comprehensive budgeting systems;
- \* Regular reviews by my Directorate senior management team of monthly, quarterly and annual financial reports, which indicate financial performance against the forecasts;
- \* Setting targets to measure financial and other performance;
- \* Clearly defined capital investment control guidelines; and
- \* Project management control procedures.

The National Assembly for Wales has an internal audit service which operates to standards defined in the Government Internal Audit Manual. The work of the internal audit service is informed by an analysis of the risk to which the body is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans for the NHS expenditure managed by the NHS Directorate are endorsed by the Assembly's Corporate Governance Committee. The Head of Internal Audit provides the Permanent Secretary of the National Assembly for Wales with an annual report on the activities of the internal audit service. This report includes an independent opinion of the adequacy and effectiveness of the National Assembly for Wales' system of internal financial control.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Corporate Governance Committee, which oversees the work of the internal auditors, and comments made by the external auditors in their management letter and other reports.

*Ann Lloyd*

Director, NHS Wales and Accounting Officer

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

I certify that I have audited the financial statements on pages 49 to 72 under the National Health Service Act 1977. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 53 to 56.

### **Respective responsibilities of the Accounting Officer and Auditor**

As described on page 46 the Director of NHS Wales as Accounting Officer is responsible for the preparation of summarised financial statements in accordance with the National Health Service Act 1977 and Treasury directions made thereunder. The Accounting Officer is also responsible for preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the summarised financial statements give a true and fair view and are properly prepared in accordance with the National Health Service Act 1977 and Treasury directions made thereunder. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the National Assembly for Wales has not kept proper accounting records or if I have not received all the information and explanations I require for my audit.

I review whether the statement on page 47 reflects the National Assembly for Wales' compliance with Treasury's guidance on "Corporate governance: statement on the system of financial control". I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

### **Basis of opinion**

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the summarised financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity. In forming my opinion I have also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In my opinion the summarised financial statements give a true and fair view of the state of affairs of NHS trusts in Wales at 31 March 2001 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with Section 98(4) of the National Health Service Act 1977 and directions made thereunder by the Treasury.

I have no observations to make on these financial statements.

*John Bourn*  
Auditor General for Wales  
13 December 2001

National Assembly for Wales  
Cardiff Bay  
Cardiff, CF99 1NA

## Income and Expenditure Account for the year ended 31 March 2001

	Notes	£000	1999-2000 £000
Income from activities	2	1,810,726	1,681,004
Exceptional income: impairment funding adjustment	3.1	-	9,578
Exceptional income: strategic assistance funding	3.2	19,162	-
Other operating income	4	196,748	182,901
<b>Total income</b>		<b>2,026,636</b>	<b>1,873,483</b>
Operating expenses	5.1	(1,947,701)	(1,794,333)
<b>Operating surplus</b>		<b>78,935</b>	<b>79,150</b>
Costs of fundamental reorganisation/restructuring		-	(372)
(Loss)/profit on disposal of fixed assets		(450)	2,297
<b>Surplus before interest</b>		<b>78,485</b>	<b>81,075</b>
Bank interest receivable		4,473	3,620
Interest payable	7	(1,338)	(4,083)
<b>Surplus on ordinary activities</b>		<b>81,620</b>	<b>80,612</b>
Public dividend capital - dividends payable		(73,988)	(81,318)
<b>Surplus/(deficit) for the year</b>	13	<b>7,632</b>	<b>(706)</b>
Deficit for the year excluding exceptional items	3	(11,530)	(10,284)

All operations are continuing.

*The notes on pages 53 to 72 form part of this account.*

## Statement of Total Recognised Gains and Losses for the year ended 31 March 2001

	Note	£000	1999-2000 £000
<b>Surplus on ordinary activities</b>		<b>81,620</b>	80,612
Indexation and revaluation of tangible fixed assets	13	<b>17,629</b>	66,752
Adjustment to reserves on impairment	13	<b>(1,101)</b>	(2,771)
Adjustment to reserves on reconfiguration	13	<b>(7,923)</b>	92,477
Other movements on the donated asset reserve	13	<b>571</b>	2,370
Other reserve movements	13	<b>(667)</b>	-
<b>Total gains and losses recognised in year</b>		<b>90,129</b>	239,440

*The notes on pages 53 to 72 form part of this account.*

## Balance Sheet as at 31 March 2001

	Notes	£000	31 March 2000 £000
<b>Tangible fixed assets</b>	8.1	<b>1,307,514</b>	1,293,330
<b>Current assets</b>			
Stocks		<b>26,311</b>	26,042
Debtors:			
amounts falling due within one year	9	<b>89,219</b>	92,750
amounts falling due after more than one year	9	<b>46,286</b>	33,383
Short term investments		-	2,450
Cash at bank and in hand	16	<b>14,241</b>	11,991
		<b>176,057</b>	166,616
Less:			
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	10.1	<b>140,366</b>	140,892
<b>Net current assets</b>		<b>35,691</b>	25,724
Less:			
Creditors: amounts falling due after more than one year	10.2	<b>34,723</b>	26,310
Provision for liabilities and charges	11	<b>63,568</b>	66,576
<b>Total net assets</b>		<b>1,244,914</b>	1,226,168
<b>Financed by:</b>			
<b>Capital</b>			
Public dividend capital	12	<b>1,138,453</b>	1,135,848
<b>Reserves</b>			
Revaluation reserve	13	<b>84,764</b>	81,529
Donated asset reserve	13	<b>24,257</b>	23,120
Income and expenditure reserve	13	<b>(2,560)</b>	(14,329)
		<b>1,244,914</b>	1,226,168

*The notes on pages 53 to 72 form part of this account.*

*Ann Lloyd*  
Accounting Officer

30 November 2001

## Cash Flow Statement for the year ended 31 March 2001

	Notes	£000	£000	1999-2000 Restated £000
<b>Net cash inflow from operating activities</b>	14		<b>149,631</b>	144,278
<b>Returns on investments and servicing of finance</b>				
Interest received		4,544		3,594
Interest paid		(667)		(3,697)
Interest element of finance leases		(546)		(350)
<b>Net cash inflow/(outflow) from returns on investments and servicing of finance</b>			<b>3,331</b>	(453)
<b>Capital expenditure and financial investments</b>				
Payments to acquire fixed assets		(74,217)		(101,293)
Receipts from sale of fixed assets		5,032		13,994
<b>Net cash outflow from investing activities</b>			<b>(69,185)</b>	(87,299)
<b>Public dividend capital - dividends paid</b>			<b>(75,483)</b>	(80,990)
<b>Management of liquid resources</b>				
Purchase of current asset investments		(37,900)		(273,899)
Sale of current asset investments		40,350		273,399
<b>Net cash inflow/(outflow) from management of liquid resources</b>			<b>2,450</b>	(500)
<b>Net cash inflow/(outflow) before financing</b>			<b>10,744</b>	(24,964)
<b>Financing</b>				
Public dividend capital received		14,835		46,096
Public dividend capital repaid		(20,153)		(29,914)
Government loans received - short term		31,000		28,845
Government loans repaid - long term		-		(1,425)
Government loans repaid - short term		(31,000)		(28,845)
Loan advances/brokerage received		1,712		8,179
Loan advances/brokerage repaid		(6,277)		-
Other capital receipts		1,692		2,436
Capital element of finance leases		(303)		(306)
<b>Net cash (outflow)/ inflow from financing</b>			<b>(8,494)</b>	25,066
<b>Increase in cash</b>	15		<b>2,250</b>	102

*The notes on pages 53 to 72 form part of this account.*

## Notes to the Account

### Accounting policies

#### 1.1 Accounting convention

This account has been prepared under the historical cost convention, modified by the revaluation of tangible fixed assets, and in accordance with directions issued by the Treasury, to show a true and fair view and to comply with accounting standards issued or adopted by the Accounting Standards Board insofar as these are appropriate to NHS trusts. The account is a consolidation of the individual audited accounts of the fifteen Welsh NHS trusts.

#### 1.2 Fixed assets

##### a. Capitalisation

Tangible fixed assets which are capable of being used for more than one year, and have a cost equal to or greater than £5,000, are capitalised.

Groups of tangible fixed assets which are interdependent, or would normally be provided or replaced as a group with a total value equal to or in excess of £5,000 and are under single managerial control, are capitalised.

Tangible fixed assets, irrespective of their individual or collective value, forming part of the initial setting up costs of a new building, are capitalised.

##### b. Valuation

Basis of valuation:

Land, buildings, installations and fittings held for operational use are stated at their depreciated replacement cost. Land and buildings which are surplus to requirements are valued at open market value for their alternative use. Valuations are carried out by the District Valuer at five yearly intervals; the last such valuations were on 31 March 1999. Between valuations, price indices appropriate to each category of asset are applied to arrive at a current value.

Equipment held for operational use is valued at current cost. Surplus equipment is valued at net recoverable cost. Equipment held under finance leases is capitalised at the fair value of the asset.

Assets in the course of construction are valued at current cost. This is derived from expenditure incurred, to which an appropriate index is applied.

**c. Depreciation**

Depreciation is charged on each main class of tangible fixed asset as follows:

freehold land and assets in the course of construction are not depreciated;

buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the assets, as advised by the District Valuer.

leaseholds are depreciated over the period of the lease remaining;

equipment is depreciated on current cost over the estimated life of the asset.

**d. Donated assets**

Donated tangible fixed assets are capitalised at their valuation on receipt and are valued and depreciated as described above for purchased assets.

The value of donated tangible fixed assets and the donated element of part donated assets is reflected in a donation reserve which is credited with the value of the original donation and any subsequent revaluation; an amount equal to the depreciation charge and all adjustments on disposal are released from this reserve each year to the Income and Expenditure Account.

**e. Revaluation reserve**

Adjustments on revaluation or indexation of non-donated assets are taken to the revaluation reserve. The charge for impairment of fixed assets is taken to the revaluation reserve first to offset any previous revaluations of assets and any remaining impairment balances are charged to the Income and Expenditure Account.

**1.3 Stocks**

Stocks comprise raw materials and consumables and are valued at the lower of cost or net realisable value.

**1.4 Research and development**

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as it relates to a clearly defined project and the 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 Income and Expenditure Account on a systematic basis over the period expected to benefit from the project.

### **1.5 Losses and special payments**

In accordance with FRS12, trusts account for the total cost of losses and special payments, which includes assistance due from the Welsh Risk Pool. They accrue for the estimated cost to them of certain or probable losses and special payments liabilities, disclosing other potential payments as contingent liabilities.

Each trust carries a variable excess level based on the trust's compliance with Welsh Risk Management Standards. NHS trusts are responsible for meeting the excess value of any successful claim under the following categories:

- a. legal obligation (this includes both clinical and non-clinical negligence);
- b. any incident of NHS service loss;
- c. cases of arson or malicious damage where there is evidence to indicate that a trust had secured its premises but these had subsequently been entered unlawfully; and
- d. costs arising from personal injury cases (e.g. legal costs and compensation made to claimants).

### **1.6 Auditors' remuneration**

The audit fees disclosed in Note 5.1 represent the cost of auditing the accounts of individual NHS trusts.

### **1.7 NHS Pension scheme**

NHS trusts participate in either the NHS pension scheme or private pension schemes. The NHS pension scheme is a statutory, defined contribution scheme, the provisions of which are laid down in the NHS Pension Scheme Regulations 1995 (S.I. 1995 No. 300). NHS trusts pay employer contributions at the rates specified from time to time by the Assembly, as advised by the Government Actuary and with the consent of the Treasury. The contribution rate for 2000-01 was 5% of pensionable pay (1999-2000: 4%).

Additional pension costs arising from early retirements are not funded by the scheme, except where the retirement is due to ill health. The Pensions Agency changed the arrangements for dealing with the costs of early retirements with effect from 6 March 1995. For early retirements which occurred before this date, the additional costs are recharged to the trust and included within operating expenses as they arise. For early retirements not funded by the scheme from this date, the full amount of the liability for the additional cost is charged to the Income and Expenditure Account at the time the trust commits itself to the retirement, regardless of the method of payment.

**1.8 Liquid resources**

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

**1.9 Leases**

Assets held under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives. Rentals under operating leases are charged on a straight line basis over the terms of the lease.

**1.10 VAT paid**

Income and expenditure are included net of recoverable VAT. Where VAT paid is not recoverable from HM Customs and Excise, the gross cost (including VAT) is charged to the Income and Expenditure Account.

**1.11 Reconfiguration of trusts**

At 31 March 2000, Cardiff and District Community and University Hospital of Wales and Llandough Hospital NHS trusts were dissolved and subsequently reformed as the Cardiff and Vale NHS Trust on 1 April 2000. The aggregate balances at 1 April 2000 in this account reflect the previously reported totals of closing balances at 31 March 2000 of continuing NHS trusts, plus the opening balances of the new merged trust at 1 April 2000. The opening balances shows a change in the constitution of the new trust's reserves. On reconfiguration the revaluation and income and expenditure reserves were set at zero with an equal and opposite adjustment of £7,923,000 to public dividend capital. There is no overall change to the net assets reported at 31 March 2000.

**1.12 Welsh Risk Pool**

On 1 April 1999, responsibility for administration of the Welsh Risk Pool (the Pool) transferred to the Conwy and Denbighshire NHS Trust from the former Welsh Health Common Services Authority.

This account consolidates the NHS trust accounts and excludes the assets and liabilities of the Pool as it acts on an agency basis for all health bodies in Wales. The provisions reported in Note 11 are the aggregate amount reported by all trusts in Wales, irrespective of whether claims will be settled directly by trusts or by the Pool acting as agent.

<b>Income from activities</b>	<b>2</b>	<b>£000</b>	1999-2000 £000
Health authorities		<b>1,783,097</b>	1,660,626
National Assembly for Wales		<b>6,235</b>	2,776
Primary Care Trusts		<b>270</b>	-
Non NHS:			
Private patient income		<b>7,682</b>	7,164
Road Traffic Act charges		<b>6,928</b>	4,711
Other		<b>6,514</b>	5,727
		<b><u>1,810,726</u></b>	<b><u>1,681,004</u></b>

### **Exceptional items 3.1 Impairment of fixed assets**

FRS11, which deals with the impairment of fixed assets, was published in July 1998 and this is the third year that the NHS trust accounts have been prepared in accordance with this standard. The effect on trusts was to ensure that their fixed assets are recorded in the financial statements at no more than their recoverable amount. In 2000-01, this resulted in an impairment charge of £5,521,000 to the Income and Expenditure Account.

The Treasury has agreed that the trusts should be held harmless as a result of the introduction of FRS11. In order to remove the impact of exceptional charges, trusts received additional income through the health authorities. An equivalent amount was remitted by the trusts to the Assembly as a repayment of public dividend capital. This circular flow of funds removed the adverse effect of the exceptional impairment charge on the ability of the trusts concerned to fulfil their break even duty, without incurring additional costs to public funds.

In 1999-2000 this income was treated as "exceptional" because part of it related to the neutralisation of the 1998-99 brought forward Income and Expenditure deficit.

### **3.2 Strategic Assistance Funding**

Several trusts received "strategic assistance funding" in 2000-01. This is additional non-recurring funding approved by the Minister for Health and Social Services to provide assistance within the agreed period of trust recovery plans. This is exceptional income for the trusts.

	<b>£000</b>	<b>£000</b>
<b>Surplus for the year</b>		<b>7,632</b>
<b>Exceptional income: strategic assistance funding</b>		
Cardiff and Vale NHS Trust	(3,275)	
Carmarthenshire NHS Trust	(3,716)	
Ceredigion and Mid Wales NHS Trust	(428)	
North East Wales NHS Trust	(5,164)	
Pembrokeshire and Derwen NHS Trust	(1,702)	
Swansea NHS Trust	(4,127)	
Welsh Ambulance Services NHS Trust	(750)	
	<b><u>(19,162)</u></b>	
<b>Deficit for the year excluding exceptional items</b>		<b><u>(11,530)</u></b>

<b>Other operating income</b>	<b>4</b>	<b>£000</b>	1999-2000 £000
Education, training and research		<b>87,065</b>	77,797
Charitable contributions		<b>5,224</b>	5,717
Transfer from the donated asset reserve in respect of depreciation and disposal adjustments on donated assets		<b>2,894</b>	2,996
Non-patient care income generation schemes		<b>12,732</b>	7,502
Patient Transport Services		<b>82</b>	44
Other income:			
Provision of laundry, pathology, payroll services		<b>10,136</b>	8,627
Accommodation and catering charges		<b>13,345</b>	12,154
Mortuary fees		<b>918</b>	908
Staff payments for use of cars		<b>2,094</b>	1,821
Other		<b>62,258</b>	65,335
		<b>196,748</b>	182,901

Operating expenses	5.1 Operating expenses	1999-2000	
		£000	£000
	Salaries and wages (excluding directors' costs)	1,325,519	1,223,543
	Directors' costs	7,722	7,688
	Supplies and services - clinical	247,719	217,526
	Supplies and services - general	42,517	41,213
	Contracts with other NHS bodies	13,608	6,511
	Establishment	56,963	52,054
	Transport	16,283	13,828
	Premises	98,737	96,145
	Depreciation and amortisation	68,093	74,877
	Fixed asset impairments	5,521	5,764
	Year 2000 costs	-	2,460
	Audit fees	1,349	1,087
	Other auditors' remuneration	940	868
	Losses, special payments and irrecoverable debts	40,369	28,469
	Operating lease rentals	16,538	16,139
	Hire of plant and machinery	2,288	1,775
	Other	3,535	4,386
		<b>1,947,701</b>	<b>1,794,333</b>

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

	Premium for insurance arrange- ments £000	Payments not previously accrued £000	Increase in provision for future payments £000	Total £000	1999-2000 £000
Clinical negligence	-	21,633	6,839	28,472	19,493
Personal injury	-	4,079	3,068	7,147	5,280
All other losses and special payments	-	383	103	486	594
Defence legal fees and administrative costs	-	1,438	615	2,053	1,156
Insurance premiums	84	-	-	84	214
	84	27,533	10,625	38,242	26,737
Irrecoverable debts	-	893	1,234	2,127	1,732
<b>Total charged to expenditure</b>	<b>84</b>	<b>28,426</b>	<b>11,859</b>	<b>40,369</b>	<b>28,469</b>

Personal injury includes £616,000 for permanent injury benefits.

**Operating  
expenses  
(continued)**

**5.3 Annual commitments under non-cancellable operating leases**

	<b>Land and buildings</b>		<b>Other leases</b>	
	<b>£000</b>	1999-2000 £000	<b>£000</b>	1999-2000 £000
Operating leases which expire:				
Within 1 year	<b>850</b>	848	<b>2,120</b>	2,613
Between 1 and 5 years	<b>725</b>	670	<b>9,682</b>	8,049
After 5 years	<b>1,950</b>	2,194	<b>220</b>	955
	<b>3,525</b>	3,712	<b>12,022</b>	11,617

Operating expenses include £16,538,000 for operating lease rentals (1999-2000: £16,139,000) and £2,228,000 for hire of plant and machinery (1999-2000: £1,775,000).

**5.4 Board members' remuneration**

	<b>Remuneration as Director £000</b>	<b>Other remun- eration £000</b>	<b>Total £000</b>	1999-2000 £000
Non-executive directors' remuneration	796	-	<b>796</b>	692
Executive directors' remuneration:				
basic salaries	5,033	827	<b>5,860</b>	6,034
benefits	176	7	<b>183</b>	172
performance related bonuses	32	-	<b>32</b>	39
pension contributions paid	254	39	<b>293</b>	242
Compensation for loss of office	130	-	<b>130</b>	1,140
Pensions for directors and former directors (other than from NHS pension scheme)	-	-	-	111
	<b>6,421</b>	873	<b>7,294</b>	8,430

£5,619 remuneration was waived by one director. No allowances were paid in lieu.

Operating expenses (continued)	Members' remuneration (excluding pension contributions) fell within the following ranges:		1999-2000	
			Number	Number
£	0 - £	5,000	12	55
£	5,001 - £	10,000	79	30
£	10,001 - £	15,000	1	3
£	15,001 - £	20,000	2	11
£	20,001 - £	25,000	12	5
£	25,001 - £	30,000	-	1
£	30,001 - £	35,000	-	-
£	35,001 - £	40,000	-	-
£	40,001 - £	45,000	2	2
£	45,001 - £	50,000	2	-
£	50,001 - £	55,000	3	5
£	55,001 - £	60,000	4	10
£	60,001 - £	65,000	9	7
£	65,001 - £	70,000	6	5
£	70,001 - £	75,000	4	4
£	75,001 - £	80,000	7	10
£	80,001 - £	85,000	6	7
£	85,001 - £	90,000	7	3
£	90,001 - £	95,000	1	5
£	95,001 - £	100,000	3	5
£	100,001 - £	105,000	3	1
£	105,001 - £	110,000	5	3
£	110,001 - £	115,000	3	1
£	115,001 - £	120,000	2	3
£	120,001 - £	125,000	1	3
£	125,001 - £	130,000	2	1
£	130,001 - £	135,000	2	-
£	135,001 - £	140,000	1	-
£	140,001 - £	145,000	-	-
£	145,001 - £	150,000	-	-
£	150,001 - £	155,000	-	-
£	155,001 - £	160,000	-	-
£	160,001 - £	165,000	-	-
£	165,001 - £	170,000	-	1
Number of board members during the financial year:			179	181

Staff costs and numbers	6.1 Staff costs	1999-2000	
		£000	£000
	Salaries and wages	1,178,770	1,104,458
	Social security costs	82,657	75,022
	Pension costs	54,232	38,647
	Agency staff	17,464	11,916
		<b>1,333,123</b>	<b>1,230,043</b>

### 6.2 Average number of staff

	Number of staff expressed as whole time equivalents	
	Number	Number
Medical and dental	4,256	4,100
Ambulance	1,694	1,624
Administrative and estates	10,553	10,067
Healthcare assistants and other support	8,790	7,558
Nursing, midwifery and health visiting	24,264	23,268
Nursing, midwifery and health visiting learners	40	45
Scientific, therapeutic and technical	7,432	7,155
Other	132	1,277
	<b>57,161</b>	<b>55,094</b>

### 6.3 Retirements due to ill-health

During 2000-01 there were 298 early retirements from NHS trusts in Wales agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension scheme) will be £10,689,000.

**Staff costs  
and  
numbers  
(continued)**

**6.4 The following number of employees received  
remuneration (excluding pension contributions)  
falling within the following ranges:**

		Number	1999-2000 Number
£	40,001 - £ 45,000	<b>416</b>	340
£	45,001 - £ 50,000	<b>262</b>	254
£	50,001 - £ 55,000	<b>209</b>	203
£	55,001 - £ 60,000	<b>198</b>	187
£	60,001 - £ 65,000	<b>206</b>	297
£	65,001 - £ 70,000	<b>269</b>	234
£	70,001 - £ 75,000	<b>189</b>	157
£	75,001 - £ 80,000	<b>141</b>	115
£	80,001 - £ 85,000	<b>115</b>	63
£	85,001 - £ 90,000	<b>79</b>	60
£	90,001 - £ 95,000	<b>63</b>	33
£	95,001 - £ 100,000	<b>35</b>	14
£	100,001 - £ 105,000	<b>23</b>	8
£	105,001 - £ 110,000	<b>11</b>	10
£	110,001 - £ 115,000	<b>7</b>	9
£	115,001 - £ 120,000	<b>8</b>	2
£	120,001 - £ 125,000	<b>8</b>	2
£	125,001 - £ 130,000	<b>2</b>	2
£	130,001 - £ 135,000	<b>1</b>	-
£	135,001 - £ 140,000	<b>1</b>	1
£	140,001 - £ 145,000	<b>3</b>	-
£	145,001 - £ 150,000	-	-
£	150,001 - £ 155,000	-	-
£	155,001 - £ 160,000	-	1
£	160,001 - £ 165,000	<b>1</b>	-
£	210,001 - £ 215,000	<b>1</b>	-
£	220,001 - £ 225,000	<b>1</b>	-

The entries for £210,000-£225,000 relate to the employment of two Ophthalmic consultants by North West Wales NHS Trust for short term waiting list initiatives to meet waiting list targets (which were achieved). The costs were approved by the North Wales Health Authority.

**Interest  
payable**

7

	£000	1999-2000 £000
Originating interest bearing debt	-	2,957
Further Government borrowing	<b>643</b>	656
Finance leases	<b>546</b>	306
Unwinding of provision discounts	<b>149</b>	164
	<b>1,338</b>	<b>4,083</b>

Tangible fixed assets	8.1	Assets under construc- tion				Equipment £000	Total £000
		Land £000	Buildings, installations and fittings £000	tion £000	Equipment £000		
<b>Cost or valuation</b>							
At 1 April 2000 (restated)		140,248	1,054,125	21,450	379,672	<b>1,595,495</b>	
Additions - purchased		613	38,069	17,946	26,998	<b>83,626</b>	
Additions - donated		-	715	119	2,631	<b>3,465</b>	
Transfers		63	19,115	(22,694)	3,516	-	
Disposals		(10,398)	(611)	(3,549)	(30,052)	<b>(44,610)</b>	
Indexation		-	13,382	270	8,892	<b>22,544</b>	
Impairment of fixed assets		(287)	(756)	-	(58)	<b>(1,101)</b>	
Other revaluations		111	1,189	(255)	(4,666)	<b>(3,621)</b>	
<b>At 31 March 2001</b>		<b>130,350</b>	<b>1,125,228</b>	<b>13,287</b>	<b>386,933</b>	<b>1,655,798</b>	
<b>Depreciation</b>							
At 1 April 2000 (restated)		5	45,996	21	256,143	<b>302,165</b>	
Disposals		-	(311)	-	(28,478)	<b>(28,789)</b>	
Provided during the year		-	37,410	-	30,683	<b>68,093</b>	
Transfers		-	(20)	-	20	-	
Indexation		-	597	-	5,700	<b>6,297</b>	
Impairment of fixed assets		-	2,498	2,967	56	<b>5,521</b>	
Other revaluations		-	(249)	-	(4,754)	<b>(5,003)</b>	
<b>At 31 March 2001</b>		<b>5</b>	<b>85,921</b>	<b>2,988</b>	<b>259,370</b>	<b>348,284</b>	
<b>Net book value at 31 March 2001</b>		<b>130,345</b>	<b>1,039,307</b>	<b>10,299</b>	<b>127,563</b>	<b>1,307,514</b>	
Net book value at 1 April 2000		140,243	1,008,129	21,429	123,529	1,293,330	

Of the net book value totals at 31 March 2001, £970,964 related to land valued at open market value and £931,058 related to buildings, installations and fittings valued at open market value.

Disposals includes the transfer of leasehold interests in land and buildings under private finance initiative (PFI) schemes at the new Neath Port Talbot hospital and at University Hospital of Wales, Cardiff. In these cases, there was no corresponding cashflow in the financial year (as the related consideration is the value of the services provided under the PFI scheme). This explains the difference between the net book value less capital receipts and the loss on disposal of fixed assets in the Income and Expenditure Account.

The restatement at 1 April 2000 reflects an adjustment to the opening balances on land and equipment in the underlying accounts and had no effect on the net book values.

**8.2 Summary of net book values**

	<b>Purchased</b>	<b>Donated</b>	<b>Total</b>	31 March
	<b>£000</b>	<b>£000</b>	<b>£000</b>	2000
				£000
Land	130,073	272	<b>130,345</b>	140,243
Buildings, installation and fittings	1,025,235	14,072	<b>1,039,307</b>	1,008,129
Equipment	117,665	9,898	<b>127,563</b>	123,529
Assets under construction	10,284	15	<b>10,299</b>	21,429
	<b>1,283,257</b>	<b>24,257</b>	<b>1,307,514</b>	1,293,330

**8.3 Net book value of land and buildings**

			31 March
		<b>£000</b>	2000
			£000
Freehold		<b>1,151,253</b>	1,137,460
Long leasehold		<b>17,772</b>	10,261
Short leasehold		<b>627</b>	651
		<b>1,169,652</b>	1,148,372

**8.4 Net book value of assets held under finance leases and hire purchase contracts**

			31 March
		<b>£000</b>	2000
			£000
Land		<b>10</b>	10
Buildings, installations and fittings		<b>4,980</b>	5,133
Equipment		<b>535</b>	697
		<b>5,525</b>	5,840

The total amount of depreciation charged in the Income and Expenditure Account in respect of assets held under finance leases and hire purchase contracts was £454,000 (1999-2000: £165,000).

**Debtors****9**

		31 March 2000 £000	£000
<b>Amounts falling due within one year</b>			
NHS debtors	<b>53,224</b>	60,882	
Other debtors	<b>28,103</b>	25,313	
Less provision for irrecoverable debts	<b>(4,373)</b>	(4,377)	
Other prepayments and accrued income	<b>12,265</b>	10,932	
	<b>89,219</b>	<u>92,750</u>	
<b>Amounts falling due after more than one year</b>			
NHS debtors	<b>35,244</b>	27,129	
Other debtors	<b>135</b>	114	
Prepayments and accrued income	<b>10,907</b>	6,140	
	<b>46,286</b>	<u>33,383</u>	
	<b>135,505</b>	<u>126,133</u>	

Creditors	10.1 Amounts falling due within one year	31 March	
		2000	2000
		£000	£000
Interest payable		17	198
Public dividend capital loan advance		256	850
Brokerage from health authorities		1,500	3,650
Payments received on account		376	1,615
NHS creditors		6,937	14,232
Non-NHS trade creditors - revenue		48,310	37,701
Non-NHS trade creditors - capital		9,152	7,251
Non-NHS trade creditors - losses and special payments		1,386	5,631
Tax and social security costs		20,501	22,446
Public dividend capital - dividends payable		731	2,226
Patients' money		1,947	2,145
Obligations under finance leases and hire purchase contracts		345	558
Pensions relating to former directors		173	172
Pensions relating to staff other than former directors		828	835
Superannuation		6,587	7,131
Other creditors		11,282	13,538
Accruals and deferred income		30,038	20,713
		<b>140,366</b>	<b>140,892</b>

	10.2 Amounts falling due after more than one year	31 March	
		2000	2000
		£000	£000
Public dividend capital loan advance		12,230	14,051
Brokerage from health authorities		6,679	6,679
Obligations under finance leases and hire purchase contracts		5,045	4,481
NHS creditors		-	3
Pensions relating to former directors		340	514
Pensions relating to staff other than former directors		177	359
Non-NHS trade creditors - losses and special payments		1,744	-
Other creditors		8,508	223
		<b>34,723</b>	<b>26,310</b>

### 10.3 Finance lease obligations

The future minimum lease payments under finance leases to which the trusts were committed were as follows:	31 March	
	2001	2000
	£000	£000
Within one year	871	915
Between one and five years	3,067	2,985
After five years	10,570	5,643
Less finance charges allocated to future periods	(9,118)	(4,504)
	<b>5,390</b>	<b>5,039</b>

Provisions for liabilities and charges	11	Adjustment					At 31 March 2001 £000					
		At 1 April 2000 £000	to provision set up in a previous year £000	Unwind- ing of discount £000	Arising during the year £000	Utilised during the year £000						
Clinical negligence	43,388	(14,545)	-	21,384	(7,927)	<b>42,300</b>						
Personal injury	9,373	(2,009)	67	5,077	(2,141)	<b>10,367</b>						
All other losses and special payments	225	(84)	-	187	(136)	<b>192</b>						
Defence legal fees and other administrative costs	2,081	(834)	-	1,449	(676)	<b>2,020</b>						
	<u>55,067</u>	<u>(17,472)</u>	<u>67</u>	<u>28,097</u>	<u>(10,880)</u>	<b>54,879</b>						
Pensions relating to:												
former directors	452	4	-	-	(425)	<b>31</b>						
other staff	5,369	143	82	356	(1,305)	<b>4,645</b>						
	<u>5,821</u>	<u>147</u>	<u>82</u>	<u>356</u>	<u>(1,730)</u>	<b>4,676</b>						
Restructurings	-	-	-	359	-	<b>359</b>						
Other	5,688	(503)	-	1,267	(2,798)	<b>3,654</b>						
	<u><b>66,576</b></u>	<u><b>(17,828)</b></u>	<u><b>149</b></u>	<u><b>30,079</b></u>	<u><b>(15,408)</b></u>	<b>63,568</b>						

As stated in accounting policy Note 1.5, trusts provide for all claims against them. Trust liability is limited to each trust's variable excess level, the balance being recovered from the Welsh Risk Pool (the Pool). Trusts estimate that in 2001-02 they will receive £22,626,000 and in 2002-03 and beyond £22,267,000 from the Pool in respect of the losses and special payments (including clinical negligence).

The above figures show the clinical negligence provisions of trusts. Conwy and Denbighshire NHS Trust managed the Pool on an agency basis for trusts and health authorities in Wales.

At 31 March 2001, clinical negligence liabilities in NHS trusts totalled £66,543,000 (£48,449,000 at 31 March 2000). Of this total, the amount to be claimed from the Pool (over and above the variable excess per case) is estimated to be £64,801,000.

Public dividend capital	12 Analysis of changes in public dividend capital	1999-2000	
		£000	£000
At 1 April		1,135,848	794,961
Public dividend capital extinguished in respect of trusts dissolved		(186,219)	(699,157)
Public dividend capital vested in new trusts		194,142	949,939
Public dividend capital vested in existing trusts on reconfiguration		-	12,190
Public dividend capital repaid		(20,153)	(29,914)
Loans converted to public dividend capital		-	61,733
Public dividend capital advanced in year		14,835	46,096
<b>At 31 March</b>		<b>1,138,453</b>	<b>1,135,848</b>

Movements on reserves	13 Movements on reserves in the year				Total £000
		Revaluation reserve £000	Donated asset reserve £000	Income & Expenditure reserve £000	
At 1 April 2000		81,529	23,120	(14,329)	90,320
Adjustments on reconfiguration		(11,994)	-	4,071	(7,923)
Transfer from Income and Expenditure Account		-	-	7,632	7,632
Revaluation/indexation of fixed assets		17,049	580	-	17,629
Transfer of realised profits/(losses)		(66)	-	66	-
Assets donated in year		-	3,465	-	3,465
Depreciation and disposal of donated assets		-	(2,894)	-	(2,894)
Impairments		(1,087)	(14)	-	(1,101)
Other reserve movements		(667)	-	-	(667)
<b>At 31 March 2001</b>		<b>84,764</b>	<b>24,257</b>	<b>(2,560)</b>	<b>106,461</b>

The adjustments on reconfiguration at 1 April 2000 reflect the transfer of assets from the former Cardiff and District and University Hospital of Wales and Llandough NHS trusts to the newly formed Cardiff and Vale NHS Trust. On reconfiguration the revaluation and income and expenditure reserves were set at zero. Consequential adjustments were made to the public dividend capital vested in the new trust.

Impairments comprise the charges to the revaluation and donation reserves from the impairment of fixed assets.

Other reserve movements comprise an adjustment to the Welsh Ambulance Services revaluation reserve after a reclassification of assets.

<b>Reconciliation of operating surplus to net cash inflow from operating activities</b>	<b>14</b>	1999-2000	
		<b>£000</b>	<b>Restated £000</b>
Operating surplus		<b>78,935</b>	79,150
Payments in respect of fundamental reorganisation/restructuring		-	(372)
Depreciation		<b>68,093</b>	74,877
Fixed asset impairments		<b>5,521</b>	5,764
Transfer from donation reserve		<b>(2,894)</b>	(2,996)
Increase in stocks		<b>(269)</b>	(6,517)
Increase in debtors		<b>(14,606)</b>	(36,896)
Increase in creditors and provisions		<b>14,851</b>	31,268
<b>Net cash inflow from operating activities</b>		<b>149,631</b>	<b>144,278</b>

<b>Reconciliation of net cash flow to movement in net debt</b>	<b>15</b>	1999-2000	
		<b>£000</b>	<b>Restated £000</b>
Increase in cash		<b>2,250</b>	102
Cash (inflow)/outflow from management of liquid resources		<b>(2,450)</b>	500
Cash inflow from new debt		<b>(32,712)</b>	(37,024)
Cash outflow from debt repaid and finance lease capital payments		<b>37,580</b>	30,576
Change in net debt resulting from cash flows		<b>4,668</b>	(5,846)
Non-cash changes in debt		<b>(654)</b>	399,233
Net debt at 1 April		<b>(15,828)</b>	(409,215)
<b>Net debt at 31 March</b>		<b>(11,814)</b>	<b>(15,828)</b>

<b>Analysis of changes in net debt</b>	<b>16</b>	<b>At 1 April</b>			<b>At 31 March</b>
		<b>2000 Restated</b>	<b>Cash flows</b>	<b>Non-cash changes</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>At 31 March 2001 £000</b>
Cash at bank and in hand		11,991	2,250	-	<b>14,241</b>
Current asset investments		2,450	(2,450)	-	-
Health authority brokerage		(10,329)	2,150	-	<b>(8,179)</b>
Public dividend capital loan advances		(14,901)	2,415	-	<b>(12,486)</b>
Finance leases		(5,039)	303	(654)	<b>(5,390)</b>
		<b>(15,828)</b>	<b>4,668</b>	<b>(654)</b>	<b>(11,814)</b>

<b>Reconciliation of movements in funds</b>	<b>17</b>	<b>1999-2000</b>	
		<b>£000</b>	<b>£000</b>
	Surplus for the year	<b>81,620</b>	80,612
	Public dividend capital - dividends payable	<b>(73,988)</b>	(81,318)
		<b>7,632</b>	(706)
	Indexation and revaluation of tangible fixed assets	<b>17,629</b>	66,752
	New public dividend capital and loans	<b>208,977</b>	1,008,225
	Public dividend capital and Government loans repaid and extinguished	<b>(206,372)</b>	(1,075,105)
	Other adjustments on reconfiguration	<b>(7,923)</b>	92,477
	Movements on donated asset reserve	<b>571</b>	2,370
	Impairment to fixed assets	<b>(1,101)</b>	(2,771)
	Other reserve movements	<b>(667)</b>	-
	Net addition to Government funds	<b>18,746</b>	91,242
	Government funds at 1 April	<b>1,226,168</b>	1,134,926
	<b>Government funds at 31 March</b>	<b>1,244,914</b>	1,226,168

**Capital commitments**      **18**      Commitments under capital expenditure contracts at the balance sheet date were £19,727,000 (1999-2000: £18,629,000).

**Contingent liabilities**      **19**      At 31 March 2001, claims with a potential value of £149,814,000 (31 March 2000: £130,781,000) had been made against NHS trusts in Wales. These claims are disputed and, until they are resolved, the trusts' financial liability, if any, cannot be determined. In accordance with the requirements of FRS12, no provision has been made in the 2000-01 accounts for these items.

In addition, 14 trusts reported contingent liabilities in respect of buildings totalling £257,658,000 (31 March 2000: £121,000,000). As above, no provision has been made in these accounts for these items.

Other litigation claims could arise in the future due to incidents incurred but not reported. The expenditure which may arise from such claims cannot be determined with reasonable accuracy and no provision has been made for them.

Losses and special payments	20	Number of cases	Value £
Clinical negligence		597	11,709,893
Personal injury		660	3,571,926
All other losses and special payments		2,271	1,733,085
		<b>3,528</b>	<b>17,014,904</b>
Of which, cases over £100,000			
Clinical negligence		17	4,935,948
Personal injury		4	473,564
All other losses and special payments		1	800,000
		<b>22</b>	<b>6,209,512</b>
Also, of which, cases of cumulative interim payments over £100,000			
Clinical negligence		13	3,871,581
Personal injury		3	497,822
		<b>16</b>	<b>4,369,403</b>

**Related party transactions**

- 21** The National Assembly for Wales, health authorities and NHS trusts are regarded as related parties. During the year, trusts had a significant number of material transactions with the Assembly and with other NHS bodies.

Four trusts disclosed other related party transactions: Cardiff and Vale NHS Trust, North Glamorgan NHS Trust, North West Wales NHS Trust and Swansea NHS Trust. In 2000-01, transactions between related parties and board members and key senior staff amounted to payments of £5,656,175 and receipts of £1,040,595. Further details of transactions are given in the individual trust accounts.

**Private finance transactions**

- 22** During 2000-01, 6 trusts disclosed private finance transactions: Bro Morgannwg NHS Trust, Cardiff and Vale NHS Trust, Carmarthenshire NHS Trust, Gwent Healthcare NHS Trust, Pembrokeshire and Derwen NHS Trust and Pontypridd and Rhondda NHS Trust.

These trusts reported ten PFI schemes. Two schemes are on balance sheet and eight are off balance sheet. These have a total estimated capital value of £109,530,000. £3,236,000 has been included within operating expenses for these schemes. Trusts are committed to pay £13,137,000 in annual payments under the schemes. Further details are given in the individual trust accounts.

## **THE NATIONAL HEALTH SERVICE – NHS TRUSTS IN WALES**

### **ACCOUNTS DIRECTION GIVEN BY THE TREASURY IN ACCORDANCE WITH SECTION 98(4) OF THE NATIONAL HEALTH SERVICE ACT 1977**

1. The Treasury directs that an account, summarised by consolidation, of the NHS Trusts in Wales shall be prepared by the National Assembly for Wales in respect of the financial year ended 31 March 2000 and subsequent financial years. The basis of preparation and form of accounts shall be set out in the following paragraphs and Schedules.

2. In this direction, unless the context otherwise requires, “the NHS Trusts” means each and every NHS Trust in Wales.

#### **BASIS OF PREPARATION**

3. The consolidated account of the NHS Trusts shall be prepared from the audited accounts of the NHS Trusts to which it relates and shall comply with:

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

#### **FORM AND CONTENT**

4. The consolidated account of NHS Trusts shall comprise a foreword, an income and expenditure account, a balance sheet, a cash flow statement and a statement of total recognised gains and losses, including such notes as are necessary to ensure a proper understanding of the accounts.

5. The consolidated account of NHS Trusts shall give a true and fair view of the state of affairs as at the end of the financial year and of its income and expenditure, gains and losses, and cashflows during the year.

6. The foreword and balance sheet shall be signed by the Accounting Officer and dated.

**MISCELLANEOUS**

7. The direction shall be reproduced as an appendix to the published accounts.

8. This direction supersedes the direction dated 16 February 1999.

Signed *B Glicksman*

**TREASURY OFFICER OF ACCOUNTS**

16 October 2000

## **SCHEDULE 1**

### **APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES ACT AND ACCOUNTING REQUIREMENTS**

#### **Companies Act**

1. The disclosure exemptions permitted by the Companies Act shall not apply to the NHS unless specifically approved by the Treasury.
2. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate to the NHS, the information relating to NHS bodies shall be contained in the foreword.
3. NHS bodies are not required to provide the historical cost information described in paragraph 33 of Schedule 4 to the Companies Act.

#### **Accounting Standards**

4. NHS bodies are not required to include a note showing the historical cost profits and losses as described in FRS3.

## **SCHEDULE 2**

### **ADDITIONAL REQUIREMENTS**

1. The foreword shall include a statement that the consolidated accounts have been prepared to comply with a Direction given by the Treasury in accordance with Section 98(4) of the NHS Act 1977.
2. The foreword shall also contain a description of the statutory background and main functions of the NHS bodies to which it relates together with a fair review of their operational and financial activities, and a summary of their performance against targets.
3. The consolidated income and expenditure account and balance sheet shall have regard to the profit and loss account format 2 and the balance sheet format 1 prescribed in schedule 4 to the Companies Act, modified as appropriate.

**Funds Held on Trust  
by Health Authorities  
and NHS Trusts in Wales**

## **Statement of the National Assembly for Wales and Accounting Officer's responsibilities**

Section 98(4) of the National Health Service Act 1977 requires the National Assembly for Wales (the Assembly) to prepare a statement of accounts for each financial year in the form and on the basis directed by the Treasury. The accounts are prepared on behalf of the Assembly by the Accounting Officer on an accruals basis and give a true and fair view of the funds held on trust by health authorities and the NHS trusts in Wales at the year end and of their incoming resources and application of resources and cash flows for the financial year.

In preparing the accounts the Assembly is 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 and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to do so.

The Treasury have appointed the Director, NHS Wales as the Accounting Officer for the Summarised Account of the funds held on trust by health authorities and NHS trusts in Wales. Her relevant responsibilities, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set out in the National Assembly for Wales Accounting Officers' Memorandum, issued by the Treasury.

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

I have audited the financial statements on pages 79 to 89 under Section 98(4) of the National Health Service Act 1977. These summarised financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 82 to 84.

### **Respective responsibilities of the Accounting Officer and Auditor**

As described on page 77 the Director NHS Wales as Accounting Officer is responsible for the preparation of the summarised financial statements in accordance with the National Health Service Act 1977 and Treasury directions made thereunder. The Accounting Officer is also responsible for preparation of the Foreword. My responsibilities as independent auditor are guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the National Health Service Act 1977 and Treasury directions made thereunder. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the National Assembly for Wales has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

### **Basis of audit opinion**

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination on a test basis of evidence relevant to the amounts and disclosures of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In my opinion the summarised financial statements give a true and fair view of the state of affairs of the funds held on trust by health authorities and NHS trusts in Wales at 31 March 2001 and of the incoming resources and application of resources for the year then ended and have been properly prepared in accordance with Section 98(4) of the National Health Service Act 1977 and directions made thereunder by the Treasury.

I have no observations to make on these financial statements.

*John Bourn*  
Auditor General for Wales  
13 December 2001

National Assembly for Wales  
Cardiff Bay  
Cardiff  
CF99 1NA

## Statement of Financial Activities for the year ended 31 March 2001

	Notes	2000-2001			Total £000	1999-2000 £000
		Unrestricted funds £000	Restricted funds £000	Endowment funds £000		
<b>Incoming resources</b>						
Donations		3,280	5,792	-	<b>9,072</b>	8,770
Legacies		946	1,180	-	<b>2,126</b>	1,657
Investment income		499	903	3	<b>1,405</b>	1,626
Other income		363	116	-	<b>479</b>	510
<b>Total incoming resources</b>		<b>5,088</b>	<b>7,991</b>	<b>3</b>	<b>13,082</b>	<b>12,563</b>
<b>Resources expended</b>						
Cost of generating funds		38	28	-	<b>66</b>	126
Grants payable	2	3,548	5,947	9	<b>9,504</b>	10,685
Activities in furtherance of charitable objects	3	886	2,601	145	<b>3,632</b>	3,604
Management and administration		112	248	1	<b>361</b>	358
<b>Total resources expended</b>	4.1	<b>4,584</b>	<b>8,824</b>	<b>155</b>	<b>13,563</b>	<b>14,773</b>
<b>Net incoming/(outgoing) resources before transfers</b>						
		504	(833)	(152)	<b>(481)</b>	(2,210)
Gross transfers between funds		(776)	776	-	-	-
<b>Net (outgoing) resources before revaluations and investment asset disposals</b>						
		(272)	(57)	(152)	<b>(481)</b>	(2,210)
<b>Gains/(losses) on revaluation of own fixed assets</b>						
		-	-	48	<b>48</b>	448
<b>Gains/(losses) on revaluation and disposal of investment assets</b>						
		(791)	(2,001)	0	<b>(2,792)</b>	1,519
<b>Net movement in funds</b>						
		<b>(1,063)</b>	<b>(2,058)</b>	<b>(104)</b>	<b>(3,225)</b>	<b>(243)</b>
Total funds brought forward at 1 April						
	14	15,010	24,326	7,442	<b>46,778</b>	47,021
<b>Total funds carried forward at 31 March</b>						
	14	<b>13,947</b>	<b>22,268</b>	<b>7,338</b>	<b>43,553</b>	<b>46,778</b>

*The notes on pages 82 to 89 form part of this account.*

## Balance Sheet as at 31 March 2001

	Notes	31 March 2001 £000	31 March 2000 £000
<b>Fixed assets</b>			
Tangible assets	6	7,215	7,303
Investments	7.1	29,448	32,114
		<u>36,663</u>	<u>39,417</u>
<b>Current assets</b>			
Debtors	8	640	1,684
Short term investments and deposits	13	3,683	3,278
Cash at bank and in hand	13	5,204	4,682
		<u>9,527</u>	<u>9,644</u>
<b>Current liabilities</b>			
Creditors: Amounts falling due within one year	9	2,637	2,283
		<u>2,637</u>	<u>2,283</u>
<b>Net current assets</b>		<b>6,890</b>	<b>7,361</b>
<b>Net Assets</b>		<b><u>43,553</u></b>	<b><u>46,778</u></b>
<b>Funds of the Charities</b>			
Endowment Funds	14	7,338	7,442
Restricted	14	22,268	24,326
Unrestricted	14	13,947	15,010
<b>Total Funds</b>	14	<b><u>43,553</u></b>	<b><u>46,778</u></b>

*The notes on pages 82 to 89 form part of this account.*

*Ann Lloyd*  
Accounting Officer

30 November 2001

## Cash Flow Statement for the year ended 31 March 2001

		2000-2001	1999-2000
	Notes	£000	£000
<b>Net cash inflow/(outflow) from operating activities</b>	12	<b><u>1,053</u></b>	<b><u>(2,342)</u></b>
<b>Capital expenditure</b>			
Payments to acquire investment fixed assets	7.1	<b>(8,669)</b>	(5,186)
Receipts from the sale of investment fixed assets	7.2	<b>8,543</b>	6,448
<b>Net cash (outflow)/inflow from capital expenditure</b>		<b><u>(126)</u></b>	<b><u>1,262</u></b>
<b>Management of liquid resources</b>			
Payments to acquire current asset investments and deposits		<b>(544)</b>	(7,283)
Receipts from the sale of current asset investments and deposits		<b><u>139</u></b>	<b><u>7,873</u></b>
<b>Net cash (outflow)/inflow from management of liquid resources</b>		<b><u>(405)</u></b>	<b><u>590</u></b>
<b>Increase/(Decrease) in cash</b>	13	<b><u>522</u></b>	<b><u>(490)</u></b>

*The notes on pages 82 to 89 form part of this account.*

## Notes to the Accounts

### Accounting policies

#### 1.1 Accounting convention

This account has been prepared in accordance with the Statement of Recommended Practice - Accounting and Reporting by Charities - issued in October 2000 by the Charities Commissioners for England and Wales, and with the Standard Accounting Practices and Policies for the National Health Service (NHS) approved by the Assembly.

#### 1.2 Incoming resources

Unrestricted funds are available for use at the discretion of the NHS body in furtherance of its general objectives. Restricted funds are subject to specific restriction imposed by donors or by the purpose of the appeal. Endowment funds are capital resources where the NHS body is legally required to invest or retain them for the purposes specified by the donors. The policies followed, which deal with income, voluntary assistance and donations are:

##### a. Cash donations

All incoming resources are included in full in the Statement of Financial Activities as soon as the following three factors can be met:

- i. entitlement – arises when a particular resource is receivable or the charity's right becomes legally enforceable;
- ii. certainty – when there is reasonable certainty that the incoming resource will be received;
- iii. measurement – when the monetary value of the incoming resources can be measured with sufficient reliability.

##### b. Gifts in kind and donated assets

- i. Assets donated for onward distribution by the charity are included in the Statement of Financial Activities only when distributed;
- ii. assets donated for use by the charity (e.g. property for its own occupation) are included in the Statement of Financial Activities as incoming resources when receivable;
- iii. gifts made in kind but on trust to the charity for conversion into cash and subsequent application are included in the Statement of Financial Activities in the accounting period in which the gift is sold.

In all cases, the amount at which gifts in kind and donated assets are brought into account is either a reasonable estimate of their value to the charity or the amount actually realised.

### **1.3 Tangible fixed assets**

#### **a. Capitalisation**

All assets falling into the following categories are capitalised:

- i. Tangible assets which are capable of being used for more than one year, and have a cost equal to or greater than £5,000;
- ii. groups of tangible assets which are interdependent or would normally be provided or replaced as a group with a total value in excess of £5,000 and an individual value of £250 or more.

#### **b. Valuation**

Fixed assets are valued as follows:

- i. Land, buildings, installations and fittings are valued in accordance with Statements of Asset Valuation Practice and Guidance notes prepared by the Royal Institute of Chartered Surveyors. Valuations are carried out professionally at five yearly intervals. The last valuation was made on 31 March 1999. Between these valuations an appropriate index is applied to revalue the assets;
- ii. equipment is valued at the lower of estimated net replacement cost or recoverable amount;
- iii. assets in the course of construction are valued at current cost.

#### **c. Depreciation**

With the exception of land, tangible fixed assets not held as investment properties are depreciated by equal annual instalments over their estimated remaining life.

#### **d. Donated Assets**

Donated assets are capitalised on receipt on a full replacement cost basis.

### **1.4 Investment fixed assets**

- i. Property assets are not depreciated but are shown at their open market valuation. Valuations are carried out by professional valuers at five yearly intervals. The last such valuation was at 31 March 1999 other than a revaluation, in September 2000, of an investment property of Pembrokeshire and Derwen NHS Trust. Between valuations the Trustees' best estimate of current market value is used. All realised and unrealised gains and losses arising from the revaluation of fixed asset investments are recorded in the Statement of Financial Activities in the year in which they arise;
- ii. quoted stocks and shares are included in the Balance Sheet at their mid-market price, excluding dividends;
- iii. other investment fixed assets are included at the Trustees' best estimate of current market value.

**1.5 Pension contributions**

The cost of employers' pension contributions to the NHS Superannuation and other schemes is charged to the Statement of Financial Activities in the year in which the liabilities arise.

**1.6 Resources expended**

Grants payable are included in the Statement of Financial Activities as soon as a probable obligation has arisen.

**1.7 Change in the basis of accounting**

There has been no change in the basis of accounting during the year.

**1.8 Trust funds**

Health authorities have power under Section 90 of the NHS Act 1977 to accept, hold and administer funds on trust for all or any purposes relating to the health service. Section 11 of the National Health Service and Community Care Act 1990 extends this power to NHS trusts.

SUMMARISED ACCOUNT OF THE FUNDS HELD ON TRUST BY HEALTH AUTHORITIES  
AND NHS TRUSTS IN WALES 2000 - 01

Resources expended - grants payable	2	2000-2001			Total	1999-2000
		Unrestricted funds	Restricted funds	Endowment funds		
		£000	£000	£000		
Patients welfare and amenities		2,148	1,421	9	<b>3,578</b>	3,569
Staff welfare and amenities		549	856	-	<b>1,405</b>	1,255
Research		335	762	-	<b>1,097</b>	874
Contributions to NHS		64	1,871	-	<b>1,935</b>	4,099
Miscellaneous (266 grants)		452	1,037	-	<b>1,489</b>	888
		<b>3,548</b>	<b>5,947</b>	<b>9</b>	<b>9,504</b>	10,685

Resources expended - Activities in furtherance of charitable objects	3	2000-2001			Total	1999-2000
		Unrestricted funds	Restricted funds	Endowment funds		
		£000	£000	£000		
Patients welfare and amenities		233	507	11	<b>751</b>	769
Staff welfare and amenities		137	193	-	<b>330</b>	378
Research		3	315	-	<b>318</b>	616
Contributions to NHS		398	75	-	<b>473</b>	369
Miscellaneous (44 payments)		115	1,511	134	<b>1,760</b>	1,472
		<b>886</b>	<b>2,601</b>	<b>145</b>	<b>3,632</b>	3,604

The prior year comparatives have been restated to reflect the reporting requirements of the new Statement of Recommended Practice and more appropriate classifications by the boards of Directors at North Wales Health Authority.

Total resources expended	4.1	2000-2001				Total	1999-2000				
		Grants payable	Cost of generating funds	Activities in furtherance of charitable objects	Management and admin- istration						
								£000	£000	£000	£000
								£000	£000	£000	£000
Staff	-	-	587	-	<b>587</b>	582					
Depreciation	-	-	134	2	<b>136</b>	134					
Auditors remuneration:											
- Audit fees	-	-	-	55	<b>55</b>	56					
- Other fees	-	-	-	5	<b>5</b>	5					
Bought-in services from NHS bodies	-	40	-	241	<b>281</b>	241					
Other	9,504	26	2,911	58	<b>12,499</b>	13,755					
	<b>9,504</b>	<b>66</b>	<b>3,632</b>	<b>361</b>	<b>13,563</b>	14,773					

Total resources expended (continued)	4.2 Staff costs	2000-01	1999-2000
		£000	£000
	Salaries and wages	526	524
	Social security costs	39	39
	Other pension costs	22	19
		<u>587</u>	<u>582</u>
	The average number of full time equivalent employees in the year was:	31	42

Analysis of net assets	5	2000-2001			Total	1999-2000
		Unrestricted funds	Restricted funds	Endowment funds		£000
		£000	£000	£000		£000
	Tangible fixed assets	17	6	7,192	7,215	7,303
	Investments	9,906	19,536	6	29,448	32,114
	Current assets	4,553	4,830	144	9,527	9,644
	Current liabilities	(529)	(2,104)	(4)	(2,637)	(2,283)
		<u>13,947</u>	<u>22,268</u>	<u>7,338</u>	<u>43,553</u>	<u>46,778</u>

Tangible fixed assets	6	Freehold land and buildings	Fixtures, fittings and equipment	Total
		£000	£000	£000
		<b>Cost or valuation</b>		
	<b>Balance at 1 April 2000</b>	7,678	6	7,684
	Revaluations	48	-	48
	<b>Balance at 31 March 2001</b>	<u>7,726</u>	<u>6</u>	<u>7,732</u>
<b>Accumulated depreciation</b>				
	<b>Balance at 1 April 2000</b>	379	2	381
	Charge for year	134	2	136
	<b>Balance at 31 March 2001</b>	<u>513</u>	<u>4</u>	<u>517</u>
	<b>Net book value at 31 March 2001</b>	<u>7,213</u>	<u>2</u>	<u>7,215</u>
	Net book value at 1 April 2000	7,299	4	7,303
	Historic cost at 31 March 2001	6,004	4	6,008

<b>Fixed assets</b>	<b>7.1 Investments</b>	<b>2000-2001</b>	1999-2000
		<b>£000</b>	£000
	<b>Market value at 1 April</b>	<b>32,114</b>	31,836
	Less: Disposals at opening market value	<b>(8,401)</b>	(6,130)
	Add: Acquisitions at cost/valuations	<b>8,669</b>	5,199
	Unrealised net (loss)/gain on revaluation	<b>(2,934)</b>	1,201
	Transfer of investments to other NHS bodies	<b>-</b>	8
	<b>Market value at 31 March</b>	<b>29,448</b>	<b>32,114</b>
	Historic cost at 31 March	<b>24,967</b>	22,763
	<b>7.2 Receipts from sale of investment fixed assets</b>	<b>2000-2001</b>	1999-2000
		<b>£000</b>	£000
	Receipts from sale of investment fixed assets	<b>8,543</b>	6,448
	Disposal at market value	<b>(8,401)</b>	(6,130)
	Realised gain on disposal	<b>142</b>	318
	<b>7.3 Composition of the portfolio at 31 March</b>	<b>31 March 2001</b>	31 March 2000
		<b>£000</b>	£000
	Investment properties	<b>255</b>	250
	Investments listed on stock exchange	<b>22,860</b>	29,068
	Cash held as part of the investment portfolio	<b>1,149</b>	1,208
	Investments in a common deposit/investment fund	<b>4,303</b>	-
	Other investments	<b>881</b>	1,588
		<b>29,448</b>	<b>32,114</b>

All investments are held in the United Kingdom.

<b>Debtors</b>	<b>8 Amounts falling due within one year</b>	<b>31 March 2001</b>	31 March 2000
		<b>£000</b>	£000
	Trade debtors	43	69
	Prepayments	-	2
	Accrued income	334	1,186
	Other debtors	263	427
		<u>640</u>	<u>1,684</u>

*Other debtors* comprise a large number of low value items which cannot be readily analysed under the other debtor headings.

<b>Creditors</b>	<b>9 Amounts falling due within one year</b>	<b>31 March 2001</b>	31 March 2000
		<b>£000</b>	£000
	Trade creditors	192	272
	Amounts due to subsidiary and associated undertakings	61	61
	Other creditors	1,957	1,674
	Accruals	427	276
		<u>2,637</u>	<u>2,283</u>

*Other creditors* comprise a large number of low value items which cannot be readily analysed under the other creditor headings.

**Contingencies**      **10** There were no material contingent liabilities at balance sheet date.

<b>Commitments</b>	<b>11 The charities have the following commitments as at 31 March</b>	<b>31 March 2001</b>	31 March 2000
		<b>£000</b>	£000
	Charitable projects	13	16
	Capital	46	300
	Other	250	369
		<u>309</u>	<u>685</u>

The reduction in commitments to 31 March 2001 is due, in part, to major capital commitments being met in year.

<b>Reconciliation of changes in resources to net cash inflow from operating activities</b>	<b>12</b>	<b>31 March 2001</b>	<b>31 March 2000</b>
		<b>£000</b>	<b>£000</b>
Net outgoing resources before revaluations and investment			
asset disposals		<b>(481)</b>	(2,210)
Depreciation charge		<b>136</b>	134
Loss on disposal of assets and investments		-	(5)
Decrease/(increase) in debtors		<b>1,044</b>	(672)
Increase in creditors		<b>354</b>	424
Non-cash donations		-	(13)
<b>Net cash inflow/(outflow) from operating activities</b>		<b><u>1,053</u></b>	<b><u>(2,342)</u></b>

<b>Analysis of net funds</b>	<b>13</b>	<b>1 April 2000</b>	<b>Cash flows</b>	<b>31 March 2001</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash at bank and in hand		4,682	522	<b>5,204</b>
Current asset investments		3,278	405	<b>3,683</b>
		<b><u>7,960</u></b>	<b><u>927</u></b>	<b><u>8,887</u></b>

<b>Movements in fund by type</b>	<b>14</b>	<b>Unrestricted</b>	<b>Restricted</b>	<b>Endowment</b>	<b>Total</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 April 2000</b>		15,010	24,326	7,442	<b>46,778</b>
Incoming resources		5,088	7,991	3	<b>13,082</b>
Resources expended		(4,584)	(8,824)	(155)	<b>(13,563)</b>
Other movements in year		(1,567)	(1,225)	48	<b>(2,744)</b>
<b>At 31 March 2001</b>		<b><u>13,947</u></b>	<b><u>22,268</u></b>	<b><u>7,338</u></b>	<b><u>43,553</u></b>

There are sufficient resources held in an appropriate form to enable each fund to be applied with any restriction imposed.

**15 Related party transactions** During the year none of the Trustees or members of the key management staff or parties related to them has undertaken any material transactions with the charitable trusts. Details of all related party transactions are shown in the individual charitable trust accounts.

## **THE NATIONAL HEALTH SERVICE FUNDS HELD ON TRUST (WALES)**

### **ACCOUNTS DIRECTIONS GIVEN BY THE TREASURY**

1. The Treasury, in pursuance of Section 98(4) of the National Health Service Act 1977, hereby gives the following direction.

2. In this direction, unless the context otherwise requires -

“the Act” means the National Health Service Act 1977;

“the Authorities” refers to all Health Authorities, Special Health Authorities, NHS Trusts, all Special Trustees appointed in pursuance of Section 29(1) of the National Health Service Reorganisation Act 1973 and Section 95(1) of the National Health Service Act 1977 (as amended) and to any trustees for an NHS trust appointed in pursuance of Section 11 of the National Health Service and Community Care Act 1990.

3. In accordance with Section 98(4) of the Act, the Secretary of State shall provide, in respect of the financial year ended 31 March 1997 and subsequent financial years, a summarised account of the Authorities’ funds held on trust, as set out in the following paragraphs and Schedule.

4. The summarised account shall comprise:

- a. a foreword
- b. a statement of financial activities
- c. a balance sheet
- d. a cash flow statement
- e. such notes as may be necessary for the purposes referred to in paragraph 5 below.

5. The summarised account shall give a true and fair view of the financial activities for the year and the state of affairs as at the end of the financial year and separately show the charitable and non charitable funds held on trust. Subject to this requirement, the summarised accounts shall also, without limiting the information given, meet:

- (a) the accounting and disclosure requirements of the Companies Act;
- (b) generally accepted accounting practice in the United Kingdom including accounting standards issued or adopted by the Accounting Standards Board;
- (c) all relevant guidance given by the Charity Commission;
- (d) any disclosure and accounting requirements which the Treasury may issue from time to time;

insofar as these are appropriate to the Authorities funds held on trust and are in force for the financial period for which the summarised account is to be prepared.

6. This accounts direction shall be reproduced as an appendix to the published summarised account.

**Signed *Jamie Mortimer***

**TREASURY OFFICER OF ACCOUNTS**

Dated 1 May 1997

## **SCHEDULE**

### **Foreword**

1. The foreword shall include a statement that the summarised account has been prepared in accordance with a direction given by the Treasury in accordance with Section 98(4) of the National Health Service Act 1977.

### **Statement of Financial Activities and Balance Sheet**

2. The statement of financial activities and balance sheet shall follow the prescribed format shown in Statement of Recommended Practice – Accounting by Charities.

### **Notes to the accounts**

3. The notes to the account shall include details of the accounting policies adopted.

4. Further explanatory notes to the account shall be provided wherever they are necessary in order to give users a proper understanding of the accounts.

### **Application of the Requirements of the Companies Act and Accounting Standards**

5. The disclosure exemptions permitted by the Companies Act shall not apply unless specifically authorised by the Treasury.

6. The summarised account is not required to include an income and expenditure account.

7. The summarised account is not required to include a note showing historical cost profits and losses as described in FRS3.

### **Other**

8. The foreword and balance sheet shall be signed by the Accounting Officer and dated.