

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

Summarised accounts of local health boards and NHS trusts in Wales for the year ended
31 March 2012

Presented pursuant to NHS (Wales) Act 2006 Section 178 Schedule 9 Para5(2)

NHS (Wales) Summarised Accounts 2011-12

Welsh Government

NHS Wales Summarised Accounts 2011-12

FOREWORD

Introduction

1. Section 178, Schedule 9 Para5(2) of the National Health Service (NHS) Wales Act 2006 requires all NHS organisations in Wales to prepare annual accounts and to submit them to the Welsh Government.
2. From the 1st April 2005 under the Public Audit (Wales) Act 2004 the Auditor General for Wales (AGW) became the statutory external auditor for all NHS bodies in Wales. Under the Government of Wales Act 2006 all audits are undertaken by the Auditor General for Wales and reported to the National Assembly for Wales. The accounts for each NHS body must be laid before the National Assembly for Wales.
3. The Welsh Ministers are required to prepare, in such form as HM Treasury may direct, summarised accounts from the individual accounts of NHS Wales organisations. The Auditor General for Wales is required to examine, certify and report on the summarised accounts.
4. 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 consolidated resource accounts of the Welsh Government for 2011-12 which include the results of the Local Health Boards.
5. In my capacity as Additional Accounting Officer for NHS Wales, I have financial responsibility for health service expenditure. Accordingly, I have signed the summarised accounts of the local health boards and NHS trusts. I am pleased to report the achievement of financial balance for all NHS organisations in Wales in 2011-12 and that all accounts received an unqualified true and fair and regularity opinion from the Auditor General for Wales.
6. The chief executives of individual NHS organisations in Wales have a duty to their respective boards and, as the Accountable Officers for those organisations, to me as Additional Accounting Officer.

Summarised Accounts

7. HM Treasury have directed that the accounts of the central government departments and entities in the wider public sector, be produced using all relevant EU adopted International Financial Reporting Standards and interpretations, in so far as they are appropriate to the NHS in Wales from 2009-10 onwards.
 8. Two summarised accounts for NHS Wales have been prepared, one for the seven local health boards and one for the three NHS trusts.
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(a) Local Health Boards

9. Local health boards were established under Welsh Statutory Instrument 2003 No. 150 (W.20) and the Local Health Boards (Functions) (Wales) Regulations 2003. Under these regulations the local health boards replaced the previous health authorities.
10. The summarised account for the local health boards in Wales is based on the audited accounts of the seven local health boards. All seven local health boards received unqualified true and fair view and regularity audit opinions from the Auditor General for Wales (AGW) for 2011-12. Four of the seven local health boards (Aneurin Bevan, Cardiff and Vale, Cwm Taf and Powys) have been permitted to bring forward funding from 2012-13 to meet their 2011-12 financial targets. The AGW has made a narrative statement in the accounts of these health boards.

(b) NHS Trusts

11. NHS trusts were established under section 18 Schedule 3 of the National Health Service (Wales) Act 2006. They receive most of their income from the Welsh Government, the local health boards and Welsh Health Specialised Services Committee (WHSCC) (formerly Health Commission Wales (HCW) hosted by Cwm Taf Health Board).
12. The summarised account for the NHS trusts in Wales is based on the audited accounts of the three Welsh NHS trusts. All three trusts received unqualified true and fair and regularity audit opinions from the Auditor General for Wales for 2011-12.

Performance against statutory financial duties

(a) Local Health Boards

13. The statutory financial duty of local health boards is set out in Part 11, Chapter 6 Para 175 of the National Health Service (Wales) Act 2006. Under the Act, local health boards have an annual statutory duty to ensure that net operating costs do not exceed the resources allocated to the Board by the Welsh Government each financial year.
 14. In 2011-12, all local health boards met their statutory duty by keeping expenditure within allocated resource limits. The performance details for all seven local health boards are set out in Annex 2.
 15. Additional recurrent non-repayable funding totalling £103 million was provided in October 2011 by the Welsh Government as strategic financial support to enable the health boards to achieve and sustain operational financial balance. In addition Hywel Dda Local Health Board received £30m non-recurrent structural deficit support. Cardiff and Vale Local Health Board also received £12m funding in November 2011 which was brought forward from financial years 2012/13 and 2013/14, and which is repayable over this period.
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16. During the year it became apparent that despite achieving £285 million of financial savings in year whilst maintaining delivery against clinical performance LHBs were facing significant financial pressures. In March 2012 the Minister for Health and Social Services wrote to the Chief Executives of the local health boards to offer an option to bring forward a small percentage of their 2012-13 funding to help achieve their targets.
17. Aneurin Bevan, Cwm Taf and Powys Local Health Boards opted to receive additional funding under this arrangement totalling £12.4m, 0.2% of the NHS 2012/13 budget. As a condition of this flexibility Welsh Government has commissioned an external financial review of these organisations' financial plans.

(b) NHS Trusts

18. During 2011-12, all three trusts broke even in year and met their financial breakeven duties. The AGW issued unqualified opinions to all trusts in Wales in 2011-12.
19. The overall income and expenditure surplus of the three NHS trusts in Wales for 2011-12 was £0.109 million. For 2010-11 the NHS Wales trusts reported a retained surplus of £0.154million. However, in the 2011-12 accounts the comparative figures for 2010-11 have been restated as a consequence of HM Treasury Financial Reporting Manual (FReM) changes in accounting treatment required for Donated Assets and Government Grants which reduced the cumulative surplus to £0.009 million.

Recovery of Accumulated Trust Deficits

20. The accumulated NHS trust deficit was reduced to nil, when the former Minister for Health and Social Services with the agreement of HM Treasury agreed to the removal of the requirement for the repayment of the outstanding NHS Trust debt of £8.141 million at Welsh Ambulance Services NHS Trust.

External financing limit

21. As part of the process of controlling public expenditure, the Welsh Government sets an external financing limit for each NHS trust. The calculation of each limit determines the maximum amount a trust can receive from external sources, normally the Welsh Government, to finance capital expenditure. Trusts must submit detailed cash flow statements to the Welsh Government in order to receive authorisation to draw down public dividend capital. This target is not applicable to local health boards.
 22. In 2011-12, the overall external financing limit for NHS trusts was £12.865 million and all trusts in Wales stayed within their individual external financing limits.
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Prompt Payment Performance

24. Local health boards and NHS trusts are required to pay their non NHS creditors in accordance with HM Treasury's public sector payment compliance target. This target is to pay all non NHS creditors within 30 days of receipt of goods or a valid invoice (whichever is the later) unless other payment terms have been agreed with the supplier.
25. The performance of each local health board and NHS trust in Wales, showing the percentage of invoices paid within the 30-day target, the percentage of the total value of invoices they represent, and any interest costs incurred under the Late Payment of Commercial Debts (Interest) Act 1998, is shown in the table at Annex 5 to this Foreword. The number of non NHS invoices paid within 30 days ranged from 95.5% to 98.8% for NHS bodies, with an average for the year of 96.3% for local health boards and 96.9% for NHS trusts (2010-11 96.4% and 97.0%).

Summary of achievement of financial duties

26. A summary of performance for each financial duty by individual organisation is provided as follows:
- Annex 1 NHS Trust Performance against the Break-even and External Financing Limit Duties.
 - Annex 2 Local Health Boards' Performance against Allocated Resource Limits.
 - Annex 3 NHS Trust Surpluses.
 - Annex 4 Recovery of Assistance in Relation to Accumulated Trust Deficits.
 - Annex 5 NHS Trust and Local Health Board Public Sector Payment Performance.

Statement of Financial Position Issues

Clinical Negligence Provisions

27. At 31 March 2012, known actual and anticipated liabilities for clinical negligence totalled £5.644 million (2010-11 £1.003 million) in NHS trusts and a further £291.064 million (2010-11 £312.684 million) in local health boards. 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.
28. Excluded from the provisions calculations included within the summarised accounts is a further estimated £417.189 million (2010-11 £377.042 million) for disputed claims for alleged medical or employer negligence. These are disclosed in the notes to the accounts as contingent liabilities.
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Welsh Risk Pool (WRP)

29. The Welsh Risk Pool (the Pool) was established to assist all Welsh NHS organisations with risk management and settlement of claims. The Pool is a mutual self-insurance arrangement covering all risks associated with NHS activities above a £25,000 threshold, with the exception of business interruption and motor insurance.
30. In 2011-12 the Pool was operated by Betsi Cadwaladr University Local Health Board. The Pool is managed by a Management Group comprising representatives from NHS trusts, local health boards and the Welsh Government.
31. The Betsi Cadwaladr University Local Health Board's liability was limited to the funds available in the Pool. The ultimate liability to meet claims rests jointly with the members of the Pool for claims less than £25,000 and by the Welsh Government underwriting the claims over £25,000 reimbursed by the Welsh Risk Pool. Therefore, only the healthcare activities of Betsi Cadwaladr University Local Health Board are included in these summarised accounts. The structured settlement liabilities are accounted for in the Welsh Government's Resource Accounts provision for the Welsh Risk Pool at 31 March 2012 of £439.239 million (2010-11 £416.948m).
32. During the year, the Pool incurred expenditure of £52.875 million (2010-11: £50.114 million) in relation to claims. Of this £49.747 million related to clinical negligence claims and £2.924 million related to personal injury claims (2010-11 £46.951 million and £3.122 million respectively).

Sustainability Reporting

33. As part of the phasing in of new sustainability reporting requirements all public bodies in Wales including the LHBs and Trusts are required to include a text commentary in their Annual Report on what proposals, target and achievements are in progress. Full sustainability reporting will be required of the LHBs and Trusts from 2012-13.
34. During 2011-12 a dry run reporting exercise was undertaken by the LHBs and Trusts to ascertain the availability of key metrics and to inform best practice sharing prior to 2012-13 implementation. Each body participated in the dry run exercise to produce a draft sustainability report based upon 2010-11 data. Key metrics for energy, waste and water were available from the Estate & Facilities Performance Management System and are part of an existing annual return process.
35. LHBs and Trusts have participated during 2011-12 in the development and piloting of the CarDio Carbon Footprinting Tool. The CarDio Tool will allow the bodies to measure and track carbon footprints year on year and monitor carbon reduction against targets. This tool will utilise consumption data already collected to provide calculation of required Greenhouse Gas reporting for 2012-13.
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36. In November 2010 the Welsh Government issued a directive to all Health Boards in Wales to achieve certification to BS ENISO14001:2004 Environmental Management System for District General Hospital sites by December 2012 and all other sites by 2014. Two LHBs have already attained this certification and five LHBs and all three Trusts have indicated that they are on target to achieve these requirements.
37. Each LHB has its own specific targets and challenges set out in their Annual Report however, the common challenges and targets identified are:
- Reduction in energy consumption to reduce CO₂ and Greenhouse Gas equivalent emissions, and costs
 - Reduction in consumption of water
 - Reduction in waste production, increasing recycling and reduction of waste sent to landfill
 - Reduction of emissions from transportation and travel, and improved efficiency of transport and travel including vehicle fleets
38. A range of approaches to tackling these challenges are in place across the NHS Wales bodies, details of actions are contained with the individual Sustainability Reports.

Events after the Reporting Period

39. During 2011-12 the functions of Shared Services i.e. administrative professional and technical support services were provided to the NHS in Wales, by each individual NHS organisation acting under a collaborative working arrangement, overseen by the Shared Services Partnership Committee, whose members were drawn from each NHS organisation. In September 2011 the Minister for Health and Social Services gave authority to proceed with the transfer of responsibility for the provision of Shared Services from the current arrangement, to a body hosted within NHS Wales.
40. On the 1 June 2012 the following business and professional services provided by NHS Wales Shared Services Partnership (NWSSP) will be hosted by Velindre NHS Trust.
- Welsh Health Estates;
 - Welsh Health Legal Services;
 - Welsh Risk Pool;
 - Contractor Services;
 - Prescribing Services Unit;
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- Accounts Payable and Procurement Services ;
- Internal Audit Services, including Capital and Private Finance Initiatives audit and consultancy services; and
- Payroll and Recruitment Services.

41. In July 2012 the Wales Audit Office will publish a separate Report on Health Finances, which will give a detailed assessment of the financial position across NHS Wales bodies and the financial challenges the NHS in Wales faces.



David Sissling
Director General, Department for Health Social Services and Children,
Chief Executive, NHS Wales
09 July 2012

Trust Performance against the Break-even and External Financing Limit duties

	Achievement of Break-even Duty		External Financing Limit
	Statutory Duty 1	Statutory Duty 2	
Public Health Wales Trust	✓	✓	✓
Velindre NHS Trust	✓	✓	✓
Welsh Ambulance Services NHS Trust	✓	✓	✓

A trust's in year break-even performance is subject to a materiality threshold of the lesser of 0.5% of total income or £500k.

WHC (2007) 049 sets down the two statutory duties of NHS Trusts in relation to breakeven. These are

- (1) 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.
- (2) Each NHS trust must achieve such financial objectives as may from time to time be set by the Welsh Ministers with the consent of the Treasury and are applicable to it.

Where a trust is forecasting that it will be unable to meet this target in year, its Accountable Officer must prepare a recovery plan, in order to address the deficit position. Where a trust fails to achieve financial balance in a financial year and there is no approved recovery plan in place, the trust will be considered to have breached both of its statutory duties in relation to breakeven.

Where a trust fails to achieve financial balance in a financial year and an approved recovery plan is in place the trust will be considered to have met the first of its statutory duties. It will nevertheless have failed to meet its second statutory duty.

Where a trust has achieved financial balance in year but has cumulative deficits which it is expected to recover, the trust must produce a recovery plan in order to show how the position is to be recovered. If the trust does not have a recovery plan that has been accepted by the Welsh Government it will have failed its duty under Part (1) of the Act.

It will be regarded as more serious by the Welsh Government if both duties under the Act are breached than if just the second duty is breached.

Local Health Board Performance against Allocated Resource and Capital Limits

	Underspend / (overspend) against resource limit	Underspend / (overspend) against capital limit
	2011-12 £000	2011-12 £000
ABMU Local Health Board	136	38
Aneurin Bevan Local Health Board	14	45
Betsi Cadwaladr U Local Health Board	75	17
Cardiff and Vale U Local Health Board	51	54
Cwm Taf Local Health Board	6	3
Hywel Dda Local Health Board	93	65
Powys Local Health Board	30	1
All Local Health Boards	405	223
Number of Local Health Boards achieving resource limit	7	7
Percentage of Local Health Boards achieving resource limit	100%	100%

NHS Wales Trust Surpluses and Deficits

	Surplus /(deficit)
	2011/12
	£000
Public Health Wales Trust	12
Velindre NHS Trust	43
Welsh Ambulance Services NHS Trust	54
All NHS Trusts	<hr/> 109 <hr/>

Recovery of Trust Deficits and Strategic Assistance

	Deficit to be recovered @ 1 April 2011 £000	2011-12 Deficits £000	Deficit recovery waived £000	Deficit to be recovered @ 31 March 2012 £000
Public Health Wales Trust	-	-	-	-
Velindre NHS Trust	-	-	-	-
Welsh Ambulance Services NHS Trust	-	-	-	-
All NHS Trusts	-	-	-	-

	Strategic Assistance to be recovered @ 1 April 2011 £000	2011-12 Strategic Assistance issued £000	Strategic Assistance repaid/ transferred £000	Strategic Assistance to be recovered @ 31 March 2012 £000
Public Health Wales Trust	-	-	-	-
Velindre NHS Trust	-	-	-	-
Welsh Ambulance Services NHS Trust	-	-	-	-
All NHS Trusts	-	-	-	-

Local Health Board Public Sector Payment Policy Performance

	Non NHS Value of bills 2011-12 %	Non NHS Number of bills 2011-12 %	Non NHS Value of bills 2010-11 %	Non NHS Number of bills 2010-11 %
ABMU Local Health Board	97.6	96.9	96.9	96.6
Aneurin Bevan Local Health Board	96.2	96.4	97.9	97.3
Betsi Cadwaladr ULHB	97.1	96.6	97.5	97.0
Cardiff and Vale ULocal Health Board	96.2	95.7	95.7	95.6
Cwm Taf Local Health Board	97.2	96.1	98.4	97.4
Hywel Dda Local Health Board	95.8	95.8	98.3	95.1
Powys Local Health Board	97.0	96.6	96.0	96.3
All Local Health Boards	96.8	96.3	97.3	96.4

NHS Trust Public Sector Payment Policy Performance

	Non NHS Value of bills 2011-12 %	Non NHS Number of bills 2011-12 %	Non NHS Value of bills 2010-11 %	Non NHS Number of bills 2010-11 %
Public Health Wales Trust	96.3	95.6	97.3	95.4
Velindre NHS Trust	98.2	95.5	97.6	95.7
Welsh Ambulance Services NHS Trust	99.2	98.8	99.1	98.9
All NHS Trusts	98.3	96.9	98.0	97.0

Local Health Boards in Wales

Statement of the Welsh Government and Accounting Officer's responsibilities

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

Under these arrangements, the Director General, Department for Health, Social Services and Children, Chief Executive, NHS Wales has been appointed as an Additional Accounting Officer. His relevant responsibilities for the Summarised Account of Local Health Boards in Wales, including his responsibilities for the propriety and regularity of public finances for which he is answerable, for the keeping of proper records and the preparation of accounts, have been assigned to him through the Memorandum for Additional Accounting Officers.

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

In preparing the accounts Welsh Ministers are required to:

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

2011-12 Summarised Local Health Board Annual Governance Statement

1. Scope of responsibility

As Chief Executive NHS Wales and Additional Accounting Officer for the Department for Health Social services and Children, I have responsibility for maintaining appropriate governance structures and procedures together with a sound system of internal control that supports the achievement of the Welsh Government policies, aims and objectives in accordance with the principles set out in Managing Public Money. I am also responsible for safeguarding the public funds and departmental assets for which I am personally responsible in accordance with the responsibilities assigned to me by the Permanent Secretary in her role as Principal Accounting Officer under section 133(2) of the Government of Wales Act 2006.

I am responsible for the propriety and regularity of public finances for the NHS in Wales; for the keeping of proper records; the preparation of accounts; for prudent behaviour and economical administration; the avoidance of waste and extravagance; and for the efficient use of all resources.

To enable me to fulfil these responsibilities I appoint Chief Executives of the Local Health Boards (LHB) to serve as Accountable Officers. It is their responsibility to ensure that there are appropriate governance structures and procedures and effective system of internal control within their individual organisations.

2. Governance framework

The Welsh Government require that the LHBs in Wales operate within the wider governance framework set for the NHS in Wales and incorporating the standards of good governance set for the NHS in Wales, (as defined in the Citizen Centred Governance Principles and standards for Health Services in Wales), together with the planning and performance frameworks and agreed Standing orders for the regulation of proceedings and business.

LHBs must agree standing orders for the regulation of proceedings and business. They are designed to translate the statutory requirements into day to day operating practice. Together with the adoption of a scheme of decisions reserved to the Board; a scheme of delegations to officers and others and Standing Financial Instructions they provide the regulatory framework for the business conduct of the LHB.

The LHB Boards are supported by a Board Secretary and between 6 to 8 committees including:

- Audit Committee
- Quality and Safety Committee.

Details of the Board committee structure, attendance records and are available within the governance statements of the individual bodies. All LHB boards have reported within the review of effectiveness

- that they have appropriate systems and procedures in place to provide assurance that the corporative objectives are achieved, and,
- sound systems of internal control in place that support the delivery of their policy aims and objectives.

For further details of any notable board committee reports published by the relevant committees please refer to the individual Annual Governance Statements of the LHBs.

The LHB Board Secretaries and Health Inspectorate Wales held a workshop in February 2012 to consider common governance and assurance issues. This workshop was facilitated by the Wales Audit Office. The common areas identified in the workshop have been reflected in the individual LHB Annual Governance Statements.

The systems and internal controls used to underpin the data used by the LHB Boards is subject to independent internal and external scrutiny by organisations such as NHS Wales Shared Services Partnership Internal Audit, Wales Audit Offices and Health Inspectorate Wales.

3. The purpose of the system of internal control

The LHB system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The LHB system of internal control is based on a continuing process designed to identify the principal risks to the achievement of the Welsh Government's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts, and accords with HM Treasury and Welsh Government guidance.

4. Capacity to handle risk

Guidance has been issued by the Welsh Government over a number of years to each Accountable Officer regarding corporate governance, clinical governance, risk management and internal control systems.

I require the Board of each organisation to take overall responsibility for risk management and to have risk management, control and review processes in place. In 2011-12 LHB Boards were required to self assess against the Doing Well Doing Better: Standards for Health

Services in Wales, as a toolkit to inform LHB Boards of the significant risks within their organisations. The standards assist Boards to identify risks, determine unacceptable levels of risk, and to then decide on where best to direct limited resources to eliminate or reduce those risks. A central theme across the standards is the importance of ensuring that staff have the information, training and access to expert advice which they need to exercise their responsibilities effectively.

An agreement is in place with the Welsh Risk Pool that requires the Pool to support NHS organisations in the development of risk management systems by providing advice, developing education in healthcare risk management and facilitating the exchange of information on good practice and lessons learnt. The Chief Executive of Betsi Cadwaladr University Local Health Board was accountable to me for the work of the Welsh Risk Pool.

5. Doing Well, Doing Better: Standards for Health Services in Wales

The Welsh Government wants to see significant improvements in the health of all of the people of Wales. NHS Wales healthcare organisations' will need to demonstrate strong NHS engagement with the public and communities on planning and accessing health services. In November 2011, the Welsh Government issued Together for Health, the health and social care strategy for Wales for 2011-2016, which sets out a clear 5-year ambition, this is the beginning of a much bigger process to make it far easier for the user to use, understand and influence the NHS.

The strategy will be underpinned by ten delivery plans as follows:

- Together for Health: Maternity Delivery Plan,
- Together for Health: Cancer Delivery Plan,
- Together for Health: Mental health Delivery Plan,
- Together for Health: Stroke Delivery Plan ,
- Together for Health: Unscheduled Care Delivery Plan ,
- Together for Health: Primary and Community Care Delivery Plan,
- Together for Health: Cardiac Care Delivery Plan,
- Together for Health: Oral health Delivery Plan ,
- Together for Health: Diabetes Delivery Plan, and
- Together for Health: Palliative and End of Life Care Delivery Plan.

The LHBs have used the Doing Well, Doing Better: Standards for Health Services in Wales as their framework for gaining assurance on their ability to fulfil their aims and objectives for the delivery of safe, high quality health services. This involves self assessment of performance against the standards across all activities and at all levels throughout the organisation. As part of this process, the organisations have completed the Governance & Accountability Assessment Module. This process has been subject to independent internal assurance by Heads of Internal Audit.

The LHBs have plans in place to achieve the improvement actions identified and within clearly defined timescales proportionate to the risk. Doing Well Doing Better: Standards for Health Services in Wales set out the Welsh Government's common framework to support the NHS and partner organisations in providing effective, timely and quality services across all healthcare

settings. One of the key aims of the Standards for Wales is to simplify and consolidate existing standards into one set of overarching standards for all healthcare organisations in Wales, including independent and voluntary healthcare providers. In line with these objectives, the system of self-assessment that has been developed to enable the LHBs to assess-

- How the standards are being used;
- What the organisation is doing well and should share;
- What is being done less well and therefore needs to be put right and improved; and,
- How Services Teams and Staff are supported to undertake the above and to make improvements.

The Doing Well Doing Better: Standards for Health Services in Wales have been used across Wales and they have been used to underpin the Annual Governance Statement.

5. The risk and control framework

I require all LHBs to have a risk management framework that ensures a systematic approach to internal control. LHBs are free to choose a framework of their choice. Whichever framework is chosen, organisations must ensure that they have evidence that they deem sufficient to demonstrate they have implemented processes appropriate to their circumstances.

In 2011-12 LHBs were required to outline their self assessment of performance against the Governance & Accountability Assessment Module. The self assessment enabled the LHB Boards to identify how the new standards can be used to underpin the 5 year Service Workforce and Financial Strategic Framework Plans and the Annual Operational Framework. The collated information provides an assessment of the overall maturity level for each theme.

	The LHBs:				
Governance and Accountability Module	do not yet have a clear, agreed understanding of where they are (or how they are doing) and what / where they need to improve.	are aware of improvements that need to be made and have prioritised them, but are not yet able to demonstrate meaningful action.	are developing plans and processes and can demonstrate progress with some of their key areas for improvement.	have well developed plans and processes and can demonstrate sustainable improvement throughout the organisation / business.	can demonstrate sustained good practice and innovation that is shared throughout the organisation/ business, and which others can learn from.
Setting the Direction			✓		
Enabling Delivery			✓		
Delivering results achieving excellence			✓		
Overall Maturity Level			✓		

The LHBs have plans in place to achieve the improvement actions identified within clearly defined timescales proportionate to the risks.

Financial Governance

The LHBs have identified in their Governance Statements that they are facing cost pressures in the current economic climate. All LHBs were provided with additional recurrent funding for the first time in 2011-12, in order to place them on a more sustainable financial footing going forward. All LHBs met their financial targets for 2011-12 although four organisations required a small level of additional funding, drawn down as an advance of their 2012-13 allocation. For those organisations that required an advance of their 2012-13 allocation an external review of their financial management arrangements has taken place. Whilst strong and robust financial monitoring arrangements remain in place, further improvements in the accountability and responsibility arrangements within the NHS will be introduced later this year following the conclusion of work on a 'New Financial Regime'.

Clinical governance

LHBs and partner organisations are required to ensure that a framework is in place for continuously improving the quality and safeguarding high standards of care. Boards are required to take responsibility and account for:

- The overall quality and safety of care;
- Specification of standards and competencies;
- Participation in clinical audit, benchmarking activities and processes for monitoring clinical care;
- Strict adherence to the Complaints Procedure at all stages;
- Clear policies for managing risk, to ensure and improve patient safety.

The LHBs are engaged in improvement work under the 1000 Lives Plus programme, a national programme which seeks to improve the quality of patient care and reduce avoidable harm across NHS Wales. Details of LHB actions are included in the underlying governance statements.

Information Governance

The LHBs have established arrangements for Information Governance to ensure that information is managed in line with the relevant Information Governance law, regulations and Information Commissioners Office guidance. Five of the LHBs have reported lapses in data security in their individual Annual Governance Statements. This includes two incidents at Abertawe Bro Morgannwg University, Health Board, three incidents at Betsi Cadwaladr University Health Board, one incident at Cardiff and Vale University Health Board, one incident at Hywel Dda Health Board and one incident at Powys Health Board.

Recommendations in relation to these information security lapses have been actioned.

Equality Diversity and Human Rights

Control measures are in place to ensure that all the LHBs' obligations under equality, diversity and human rights legislation are complied with.

NHS Pension Scheme

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

Carbon Reduction

The LHBs are undertaking environmental risk assessments to ensure Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements as based on UKCIP 2009 weather projections to ensure that the organisation's obligation under the climate change Act and the Adaptation Reporting requirements are complied with.

Head of Internal Audit Review

The Head of Internal Audit overall opinions with regard to the individual LHB internal control systems are summarised below:

Head of Internal Audit Opinion

LHB

The Board can take some assurance that the arrangements upon which the organisation relies to manage risk, controls and governance within those areas under review, and the operational compliance noted, are suitably designed and applied effectively. However, management **are addressing** the exposure to significant risk in several areas.

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The Board can take some assurance that the arrangements upon which the organisation relies to manage risk, controls and governance within those areas under review, and the operational compliance noted, are suitably designed and applied effectively. However, management need to address the exposure to significant risk in several areas.

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The Health Board has an adequate system of internal controls over the areas considered by internal audit which provides reasonable assurance regarding the effective and efficient achievement of the Health Board's objectives with regard to these areas.

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Head of Internal Audit Opinion**LHB**

There is a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently. However, some weaknesses in the design and inconsistent application of controls, puts the achievement of particular objectives at risk.

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6. Review of effectiveness

As the Director General and Additional Accounting Officer, I have responsibility for reviewing the effectiveness of the system governance and of internal control. My review of the effectiveness of the system on internal control is informed by the work of the internal auditors, the Assembly's Corporate Governance Committee, which oversees the work of the internal auditors, the reports submitted to the Executive Board by the Department's Corporate Governance Committee and comments made by the external auditors in their management letter and other reports.

LHB Chief Executives have each submitted an Annual Governance Statement for the year ending 31st March 2012. These statements and the associated audit reports are reviewed so that I can be satisfied that any issues raised by the Accountable Officers do not pose a significant threat and that they are being dealt with appropriately. The details of identified risk which requires appropriate action has been highlighted in four of the seven LHBs, recommendations in relation to these risks have been actioned. Areas of improvement in relation to the Welsh Health Specialised Services Committee(WHSSC) will be actioned as part of the WHSSC Terms of Reference Review to be undertaken in September.

There are no common themes in relation to internal control issues reported in the individual Annual Governance Statements and full details can be found in the individual Annual Governance Statements of each LHB.



David Sissling
Director General, Department for Health, Social Services and Children
Chief Executive, NHS Wales and Additional Accounting Officer for the NHS in Wales

9 July 2012

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

I certify that I have audited the financial statements of the Summarised Accounts of the Local Health Boards in Wales for the year ended 31 March 2012 under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Tax Payers Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards.

Respective responsibilities of the Additional Accounting Officer and Auditor

As explained more fully in the Statement of Additional Accounting Officer's Responsibilities [set out page 2], the Chief Executive of NHS Wales as Additional Accounting Officer is responsible on behalf of Welsh Ministers for preparing the financial statements in accordance with paragraph 5 of schedule 9 to the National Health Service (Wales) Act 2006, and directions made by HM Treasury there under, and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Further information on this matter is set out within paragraphs 15 and 17 of the Management Commentary, and the Financial Governance Section of the Annual Governance Statement.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to LHBs' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the LHB Directors and Chief Executives; and the overall presentation of the financial statements.

I am also required to obtain sufficient evidence to give reasonable assurance that 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.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the Local Health Boards in Wales as at 31 March 2012 and of their net operating costs, their recognised gains and losses and cash flows for the year then ended; and

- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by HM Treasury.

Emphasis of Matter

I draw attention to paragraph 10 of the Management Commentary, which refers to the substantive reports I placed on the 2011-12 financial statements of Aneurin Bevan, Cardiff and Vale and Powys Local Health Boards.

I issued substantive reports on those sets of financial statements because whilst each of the four Health Boards had operated within their respective 2011-12 resource limits, to do so they had each received additional funding from the Welsh Government. As the additional funding has enabled all of them to meet their 2011-12 resource limits, I did not qualify my regularity opinions on their financial statements. For the same reasons, this matter also has no impact on my regularity opinion on these financial statements.

Further information on this matter is set out within paragraphs 15 and 17 of the Management Commentary, and the Financial Governance Section of the Annual Governance Statement.

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

Matters on which I report by exception

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

- the Annual Governance Statement does not reflect compliance with HM Treasury's and Welsh Ministers' guidance;
- proper accounting records have not been kept; or
- I have not received all the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
10 July 2012

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

Statement of Comprehensive Net Expenditure for the year ended 31 March 2012

	Note	2011-12 £'000	2010-11 £'000 Restated
Expenditure on Primary Healthcare Services	2.1	1,344,006	1,338,199
Expenditure on healthcare from other providers	2.2	822,989	860,438
Expenditure on Hospital and Community Health Services	2.3	3,846,169	3,660,555
		6,013,164	5,859,192
Less: Miscellaneous Income	3	(505,157)	(483,549)
LHB net operating costs before interest and other gains and losses		5,508,007	5,375,643
Less :Investment Income	7	(31)	(39)
Other (Gains) / Losses	8	(41)	96
Finance costs	9	10,849	9,585
Net operating costs for the financial year		5,518,784	5,385,285
Other Comprehensive Net Expenditure			
Net gain on revaluation of property, plant and equipment		(69,017)	(3,991)
Net gain on assets held for sale		(821)	-
Impairment and reversals		1,729	21,612
Transfers to other bodies within the Resource Accounting Boundary		-	13,246
Total other comprehensive net expenditure for the year		(68,109)	30,867

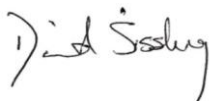
The notes on pages 17 to 55 form part of these accounts

The net operating costs for the Local Health Boards in Wales reported in last years Summarised Accounts were £5,386,833. The comparative figures have been restated in these accounts to include the HM Treasury Financial Reporting Manual (FReM) amendment for the abolition of the Donated Assets Reserve and the Government Grant Reserve.

Statement of Financial Position as at 31 March 2012

	Notes	31 March 2012 £'000	31 March 2011 £'000 Restated
Non-current assets			
Property, plant and equipment	10.1	2,734,565	2,731,314
Intangible assets	11	5,003	5,239
Trade and other receivables	13	123,110	157,224
Other financial assets	17	869	896
Other assets	18	-	-
Total non-current assets		2,863,547	2,894,673
Current assets			
Inventories	12	53,122	49,164
Trade and other receivables	13	287,488	273,432
Other financial assets	17	27	26
Other current assets	18	47	150
Cash and cash equivalents	16	8,065	11,867
		348,749	334,639
Non-current assets classified as "Held for Sale"	10.2	8,282	1,590
Total current assets		357,031	336,229
Total assets		3,220,578	3,230,902
Current liabilities			
Trade and other payables	14	587,691	580,861
Provisions	15	227,537	222,733
Other liabilities	19	3,486	3,493
Total current liabilities		818,714	807,087
Net current assets/ (liabilities)		(461,683)	(470,858)
Non-current liabilities			
Trade and other payables	14	83,199	86,289
Provisions	15	162,161	196,854
Other liabilities	19	1,478	1,770
Total non-current liabilities		246,838	284,913
Total assets employed		2,155,026	2,138,902
Financed by :			
Taxpayers' equity			
General Fund		1,709,573	1,764,359
Revaluation reserve		445,453	374,543
Total taxpayers' equity		2,155,026	2,138,902

The notes on pages 17 to 55 form part of these accounts



David Sissling,
 Director General, Department for Health, Social Services and Children, Chief Executive NHS Wales
 9 July 2012

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2012

	General Fund £000	Revaluation reserve £000	Total reserves £000
Changes in taxpayers' equity for 2011-12			
Balance at 1 April 2011	1,764,359	374,543	2,138,902
Net operating cost for the year	(5,518,784)	-	(5,518,784)
Net gain/(loss) on revaluation of property, plant and equipment	-	69,017	69,017
Net gain/(loss) on revaluation of assets held for sale	-	821	821
Impairments and reversals	(18,606)	16,877	(1,729)
Transfers between reserves	15,805	(15,805)	-
Total recognised income and expense for 2011-12	(5,521,585)	70,910	(5,450,675)
Net Welsh Government funding	5,466,799	-	5,466,799
Balance at 31 March 2012	1,709,573	445,453	2,155,026

The notes on pages 17 to 55 form part of these accounts

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2011

	General Fund £000 Restated	Revaluation reserve £000 Restated	Donated asset reserve £000 Restated	Government grant reserve £000 Restated	Total reserves £000 Restated
Changes in taxpayers' equity for 2010-11					
Balance at 31 March 2010	1,623,365	393,473	41,606	478	2,058,922
Adjustment for accounting policy changes (donations and grants)	39,913	2,026	(41,606)	(478)	(145)
Restated balance at 1 April 2010	1,663,278	395,499	-	-	2,058,777
Net operating cost for the year	(5,385,285)	-	-	-	(5,385,285)
Net gain/(loss) on revaluation of property, plant and equipment	-	3,991	-	-	3,991
Impairments and reversals	-	(21,612)	-	-	(21,612)
Transfers between reserves	3,335	(3,335)	-	-	-
Transfers to/(from) other bodies within the Resource Accounting boundary	(13,246)	-	-	-	(13,246)
Total recognised income and expense for 2010-11	(5,395,196)	(20,956)	-	-	(5,416,152)
Net Welsh Government funding	5,496,277	-	-	-	5,496,277
Restated balance at 31 March 2011	1,764,359	374,543	-	-	2,138,902

The notes on pages 17 to 55 form part of these accounts

Statement of Cash flows for year ended 31 March 2012

	2011-12	2010-11
	£'000	£'000
Cash Flows from operating activities		Restated
Net operating costs for the financial year	(5,518,784)	(5,385,285)
Movements in Working Capital	30 33,778	(24,059)
Other cash flow adjustments	31 357,672	345,712
Provisions utilised	15 (69,118)	(89,165)
Net cash outflow from operating activities	(5,196,452)	(5,152,797)
Cash Flows from investing activities		
Purchase of property, plant and equipment	(278,190)	(345,135)
Proceeds from disposal of property, plant and equipment	5,205	6,120
Purchase of intangible assets	(1,164)	(1,117)
Net cash outflow from investing activities	(274,149)	(340,132)
Net cash outflow before financing	(5,470,601)	(5,492,929)
Cash flows from financing activities		
Welsh Government funding (including capital)	5,466,799	5,496,277
Capital grants received	-	4,610
Cash transferred (to) / from other NHS bodies	-	(12,285)
Net financing	5,466,799	5,488,602
Net decrease in cash and cash equivalents	(3,802)	(4,327)
Cash and cash equivalents at 1 April 2011	11,867	16,194
Cash and cash equivalents at 31 March 2012	8,065	11,867

The notes on pages 17 to 55 form part of these accounts

Notes to the Accounts

1. Accounting policies

The accounts have been prepared in accordance with the 2011-12 Financial Reporting Manual (FRM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the first-time adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Board (LHB) are described below. They have been applied in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Income and funding

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

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

Funding for the acquisition of fixed assets received from the Welsh Government is credited to the general fund.

- Miscellaneous income is income which relates directly to the operating activities of the LHB and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the LHBs for the Welsh Government such as funding provided to agencies and non-activity costs incurred by the LHBs in their provider role. Income received from LHBs transacting with other LHBs is always treated as miscellaneous income.

- Income is accounted for applying the accruals convention. Income is recognised in the period in which services are provided. Where income had been received from third parties for a specific activity to be delivered in the following financial year, that income will be deferred. Only non-NHS income may be deferred.

1.4 Employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the LHB commits itself to the retirement, regardless of the method of payment.

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme this is disclosed. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the LHBs accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The interest cost during the year arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Actuarial gains and losses during the year are recognised in the pensions reserve and reported as an item of other comprehensive income.

1.5 Other expenses

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

1.6 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

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

Valuation

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

Land and buildings used for the LHBs services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

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

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

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

Land and buildings have been indexed with indices supplied by the District Valuation Officer. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. This is a change from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter to expenditure. Gains and losses recognised in the Revaluation Reserve are reported in the Statement of Net Comprehensive Expenditure. However, to ensure that the outcome as reflected in the reserves figure on the Statement of Financial Position is consistent with the requirements of IAS 36 had this adaptation not been applied, the balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 should be transferred to the General Fund.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

1.7 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the LHBs business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the LHB; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation

of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

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

Measurement

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

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

1.8 Depreciation, amortisation and impairments

Freehold land and properties under construction are not depreciated.

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

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

If there has been an impairment loss, the asset is written down to its recoverable amount, with the loss charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.9 Research and Development

Research and development expenditure is charged to operating costs in the year in which it is incurred, except insofar as it relates to a clearly defined project, which can be separated from

patient care activity and benefits therefrom can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the SoCNE on a systematic basis over the period expected to benefit from the project.

1.10 Donated assets

Following the accounting policy change outlined in the Tresasury FReM for 2011-12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Miscellaneous Income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the donation preclude immediate recognition of the gain. This accounting policy change has been applied retrospectively and the 2010-11 results have been restated.

1.11 Government grants

Following the accounting policy change outlined in the Tresasury FReM for 2011-12, a government grant reserve is no longer maintained. The value of assets received by means of government grant are credited directly to Miscellaneous Income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the Government Grant preclude immediate recognition of the gain. This accounting policy change has been applied retrospectively and the 2010-11 results have been restated.

1.12 Non-current assets held for sale

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

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

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

1.13 Leases

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

1.13.1 The Local Health Board as lessee

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred. Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

1.13.2 The health board as lessor

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

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

1.14 Inventories

Inventories are valued at the lower of cost and net realisable value using the [first-in first-out/weighted average] cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.15 Cash and cash equivalents

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

1.16 Provisions

Provisions are recognised when the LHB has a present legal or constructive obligation as a result of a past event, it is probable that the LHB will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms.

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

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

A restructuring provision is recognised when the LHB has developed a detailed formal plan

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

1.17 Clinical negligence costs

The Welsh Risk Pool operates a risk pooling scheme which is paid for by top sliced allocations based on direct invoicing to the Welsh Government. The Welsh Risk Pool is hosted by Betsi Cadwaladr University Local Health Board.

1.18 Financial assets

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

1.18.1 Financial assets are initially recognised at fair value.

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

1.18.2 Financial assets at fair value through SoCNE

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

1.18.3 Held to maturity investments

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

1.18.4 Available for sale financial assets

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

1.18.5 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable

payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the net carrying amount of the financial asset.

At the Statement of Financial Position date, the LHB assess whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

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

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

1.19 Financial liabilities

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

1.19.1 Financial liabilities are initially recognised at fair value.

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

1.19.2 Financial liabilities at fair value through SoCNE

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

1.19.3 Other financial liabilities

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

1.20 Value Added Tax

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

1.21 Foreign currencies

Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the SoCNE. At the Statement of Financial Position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

1.22 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the LHBs have no beneficial interest in them.

1.23 Losses and Special Payments

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

Losses and special payments are charged to the relevant functional headings in the operating cost statement on an accruals basis, including losses which would have been made good through insurance cover had LHBs not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, the note on losses and special payments is compiled directly from the losses register which is prepared on a cash basis.

1.24 Pooled budget

Several LHBs have entered into a pooled budget with Local Authorities. Under the arrangement funds are pooled in accordance with section 33 of the NHS (Wales) Act 2006.

Payments for services provided are accounted for as Miscellaneous Income. LHBs account for their share of the assets, liabilities, income and expenditure from the activities of the pooled budget, in accordance with the pooled budget arrangement.

1.25 Private Finance Initiative (PFI) transactions

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

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

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

Services received

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

PFI asset

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

PFI liability

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

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

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

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

Lifecycle replacement

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

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

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

Assets contributed by the LHB to the operator for use in the scheme

Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment in the LHBs Statement of Financial Position.

Other assets contributed by the LHB to the operator

Assets contributed (e.g. cash payments, surplus property) by the LHB to the operator before the asset is brought into use, which are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract.

Subsequently, when the asset is made available to the LHB, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

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

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

1.26 Contingencies

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

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

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

1.27 EU Emissions Trading Scheme

EU Emission Trading Scheme allowances are credited to Miscellaneous Income to offset the LHBs certified carbon emissions during the financial year. Any emissions not surrendered in this way are carried forward as an "other current asset" within the accounts. This amount is matched with an offsetting entry within "other current liabilities". Both the asset and liability are revalued to open market at the date of the Statement of Financial Position.

2. Analysis of gross operating costs

2.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2011-12 Total £'000	2010-11 £'000 Restated
General Medical Services	459,324	-	459,324	455,713
Pharmaceutical Services	148,692	5,402	154,094	145,870
General Dental Services	165,364	-	165,364	162,326
General Ophthalmic Services	1	30,721	30,722	29,655
Other Primary Health Care expenditure	24,767	-	24,767	26,644
Prescribed drugs and appliances	509,735	-	509,735	517,991
Total	1,307,883	36,123	1,344,006	1,338,199

2.2 Expenditure on healthcare from other providers

	2011-12 £'000	2010-11 £'000 Restated
Goods and services from other NHS Wales Trusts	203,012	202,946
Goods and services from other non Welsh NHS bodies	220,135	224,866
Local Authorities	20,475	19,367
Voluntary organisations	26,149	24,012
NHS Funded Nursing Care	35,837	35,931
Continuing Care	269,778	303,980
Private providers	35,711	33,599
Specific projects funded by the Welsh Government	3	508
Public Health Wales	10,992	11,736
Other	897	3,493
Total	822,989	860,438

2.3 Expenditure on Hospital and Community Health Services

	2011-12	2010-11
	£'000	£'000
Directors' costs	11,993	11,590
Staff costs	2,693,368	2,651,213
Supplies and services - clinical	446,024	433,642
Supplies and services - general	43,437	40,603
Consultancy Services	3,800	3,671
Establishment	66,672	69,283
Transport	11,400	10,881
Premises	118,724	113,350
External Contractors	1,027	667
Depreciation	134,811	129,393
Amortisation	1,640	1,448
Fixed asset impairments and reversals (Property, plant & equipment)	185,507	100,960
Impairments & reversals of non-current assets held for sale	2,452	2,129
Audit fees	3,374	3,578
Other auditors' remuneration	-	6
Losses, special payments and irrecoverable debts	16,963	16,455
Research and Development	554	381
Other operating expenses	104,423	71,305
Total	<u>3,846,169</u>	<u>3,660,555</u>

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

	2011-12	2010-11
	£000	£000
Increase/(decrease) in provision for future payments:		
Clinical negligence	29,516	85,207
Personal injury	5,553	5,889
All other losses and special payments	7,762	6,478
Defence legal fees and other administrative costs	3,480	4,299
Gross increase/(decrease) in provision for future payments	<u>46,311</u>	<u>101,873</u>
Premium for other insurance arrangements	505	526
Irrecoverable debts	44	(559)
Less: income received/ due from Welsh Risk Pool	<u>(29,897)</u>	<u>(85,385)</u>
Total	<u>16,963</u>	<u>16,455</u>

Personal injury includes £1,135,337 (2010-11 £1,197,636) in respect of permanent injury benefits

3. Miscellaneous Income

	2011-12 £'000	2010-11 £'000 Restated
NHS trusts	24,587	22,832
Strategic health authorities and primary care trusts	25,860	24,967
Foundation Trusts	732	724
Local authorities	28,737	32,342
Welsh Assembly Government	143,624	134,387
Non NHS:		
Prescription charge income	72	138
Dental fee income	28,693	27,426
Private patient income	6,602	7,113
Overseas patients (non-reciprocal)	558	413
Injury Costs Recovery (ICR) Scheme	14,084	14,386
Other income from activities	12,206	10,078
Patient transport services	-	23
Education, training and research	141,465	145,250
Charitable and other contributions to expenditure	7,539	6,761
Receipt of donated assets	2,794	5,084
Receipt of government grant assets	329	982
Non-patient care income generation schemes	6,032	5,169
Deferred income released to revenue	323	464
Rental income from operating leases	862	936
Other income:		
Provision of laundry, pathology, payroll services	3,194	-
Accommodation and catering charges	14,036	14,233
Mortuary fees	1,250	1,271
Staff payments for use of cars	3,208	2,754
Business units	7,653	10,921
Other	30,717	14,895
Total	505,157	483,549

ICR income is subject to a provision for impairment of 10.5% to reflect expected rates of collection.

4. Employee benefits and staff numbers

4.1 Employee costs	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2010-11
	£000	£000	£000	£000	£000
Salaries and wages	2,244,026	6,757	53,743	2,304,526	2,273,037
Social security costs	167,877	45	-	167,922	161,319
Employer contributions to NHS Pension Scheme	270,986	57	-	271,043	268,815
Other pension costs	916	-	-	916	520
Termination benefits	3,471	-	-	3,471	3,538
Total	2,687,276	6,859	53,743	2,747,878	2,707,229
Charged to capital				4,971	4,748
Charged to revenue				2,742,907	2,702,481
				2,747,878	2,707,229

The full employee costs reported above are included in note 2.1 General Medical Services and note 2.3 Expenditure on Hospital and Community Services.

4.2 Average number of employees

4.2 Average number of employees	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	2010-11
	Number	Number	Number	Number	Number
Medical and dental	5,836	40	276	6,152	6,012
Administrative and estates	12,849	40	82	12,971	13,231
Healthcare assistants and other support staff	11,780	-	61	11,841	12,080
Nursing, midwifery and health visiting staff	26,163	8	174	26,345	26,155
Nursing, midwifery and health visiting learners	21	-	1	22	21
Scientific, therapeutic and technical staff	9,515	5	13	9,533	9,892
Social care staff	-	5	-	5	4
Other	56	-	-	56	63
Total	66,220	98	607	66,925	67,458

4.3. Retirements due to ill-health

During 2011-12 there were 125 early retirements from LHBs 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 £7,946,932.

4.4 Employee benefits

There were no employee benefit schemes operating in 2011-12.

4.5 Pension costs

Pension costs

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

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

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last formal actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision. Employer and employee contribution rates are currently being determined under the new scheme design.

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. However, as the interval since the last formal valuation now exceeds four years, the valuation of the scheme liability as at 31 March 2012 is based on detailed membership data as at 31 March 2010 updated to 31 March 2012 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained.

The Scheme is a “final salary” scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as “pension commutation”.

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year’s pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

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

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC’s run by the Scheme’s approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

5. Operating leases

LHB as lessee

Detailed disclosures are made in the individual LHB accounts.

Payments recognised as an expense	2011-12	2010-11
	£000	£000
Minimum lease payments	20,750	21,782
Total	20,750	21,782

Total future minimum lease payments

Payable	£000	£000
Not later than one year	15,666	13,542
Between one and five years	30,093	23,224
After 5 years	35,026	27,365
Total	80,785	64,131

LHB as lessor

Rental revenue	£000	£000
Rent	626	619
Total revenue rental	626	619

Total future minimum lease payments

Receivable	£000	£000
Not later than one year	545	500
Between one and five years	633	597
After 5 years	1,184	1,095
Total	2,362	2,192

6.1 The Late Payment of Commercial Debts (Interest) Act 1998

	2011-12	2010-11
	£	£
Amounts included within finance costs from claims made under this legislation	99	579
Compensation paid to cover debt recovery costs under this legislation	659	2,210
Total	758	2,789

7. Investment Income

	2011-12	2010-11
	£000	£000
Interest revenue :		
Bank accounts	5	12
Other financial assets	26	27
Total	31	39

8. Other gains and losses

	2011-12	2010-11
	£000	£000
		Restated
Gain/(loss) on disposal of property, plant and equipment	41	(96)
Total	41	(96)

9. Finance costs

	2011-12	2010-11
	£000	£000
Interest on obligations under finance leases	173	419
main finance cost	5,776	5,933
contingent finance cost	1,461	1,457
Interest on late payment of commercial debt	-	1
Provisions unwinding of discount	2,218	1,775
Other interest expense	1,221	-
Total	10,849	9,585

10.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2011	391,724	1,921,878	54,732	448,151	466,048	7,303	86,163	18,595	3,394,594
Indexation	-	77,168	2,178	-	-	-	-	-	79,346
Additions - purchased	235	39,327	111	178,185	32,008	291	12,478	4,209	266,844
Additions - donated	21	226	-	30	2,449	-	69	6	2,801
Additions - government granted	-	-	-	303	-	-	26	-	329
Reclassifications	-	394,034	(44)	(411,461)	16,492	67	290	407	(215)
Revaluations	886	(175)	(23)	-	-	-	-	-	688
Impairments	(3,765)	(172,254)	(193)	-	(91)	-	(9)	-	(176,312)
Reclassified as held for sale	(13,219)	(28,031)	(892)	-	-	-	-	-	(42,142)
Disposals	(3)	(7,654)	-	-	(33,577)	(347)	(3,398)	(196)	(45,175)
At 31 March 2012	375,879	2,224,519	55,869	215,208	483,329	7,314	95,619	23,021	3,480,758
Depreciation at 1 April 2011	-	258,071	3,883	28,578	305,217	5,172	54,120	8,239	663,280
Indexation	-	10,526	148	-	-	-	-	-	10,674
Reclassifications	-	26,959	(224)	(26,690)	278	(51)	(341)	62	(7)
Revaluations	-	(573)	(30)	-	-	-	-	-	(603)
Impairments	-	9,449	(22)	-	(25)	-	(2)	-	9,400
Reclassified as held for sale	-	(26,450)	(48)	-	-	-	-	-	(26,498)
Disposals	-	(7,606)	-	-	(33,333)	(346)	(3,389)	(190)	(44,864)
Provided during the year	-	78,256	1,788	-	41,337	592	11,001	1,837	134,811
At 31 March 2012	-	348,632	5,495	1,888	313,474	5,367	61,389	9,948	746,193
Net book value at 1 April 2011	391,724	1,663,807	50,849	419,573	160,831	2,131	32,043	10,356	2,731,314
Net book value at 31 March 2012	375,879	1,875,887	50,374	213,320	169,855	1,947	34,230	13,073	2,734,565
Net book value at 31 March 2012 comprises :									
Purchased	371,319	1,846,449	50,374	213,290	160,527	1,858	33,886	12,711	2,690,414
Donated	4,560	28,200	-	30	9,328	89	207	312	42,726
Government Granted	-	1,238	-	-	-	-	137	50	1,425
	375,879	1,875,887	50,374	213,320	169,855	1,947	34,230	13,073	2,734,565
Asset financing :									
Owned	362,543	1,768,763	46,162	213,320	168,414	1,947	34,228	13,073	2,608,450
Held on finance lease	1	1,595	-	-	713	-	2	-	2,311
On-SoFP PFI contracts	13,335	105,529	4,212	-	728	-	-	-	123,804
Total	375,879	1,875,887	50,374	213,320	169,855	1,947	34,230	13,073	2,734,565

The net book value of land, buildings and dwellings at 31 March 2012 comprises :

	£000
Freehold	2,171,956
Long Leasehold	128,927
Short Leasehold	1,257
	2,302,140

10.1 Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2010	392,247	1,814,387	53,932	370,722	448,329	7,194	78,341	14,890	3,180,042
Additions - purchased	43	30,368	206	274,762	42,042	464	11,253	4,304	363,442
Additions - donated	2,550	389	-	129	1,817	-	111	80	5,076
Additions - government granted	-	-	-	866	-	-	106	9	981
Transfer from/into other NHS bodies	-	(14)	-	-	-	-	(1,394)	(158)	(1,566)
Reclassifications	202	186,027	2,648	(191,730)	1,579	2	788	128	(356)
Revaluations	32	2,056	-	-	(2,047)	-	-	-	41
Impairments	(1,406)	(107,801)	(2,030)	(6,598)	-	-	(615)	-	(118,450)
Reclassified as held for sale	(1,927)	(3,496)	-	-	(55)	-	-	-	(5,478)
Disposals	(17)	(38)	(24)	-	(25,617)	(357)	(2,427)	(658)	(29,138)
At 31 March 2011	391,724	1,921,878	54,732	448,151	466,048	7,303	86,163	18,595	3,394,594
Depreciation at 1 April 2010	-	205,075	3,483	1,793	293,775	4,989	47,707	7,773	564,595
Indexation	-	(2)	-	-	-	-	(680)	(105)	(787)
Reclassifications	-	(85)	78	10	531	1	(601)	(2)	(68)
Revaluations	-	(30,820)	(1,306)	-	(2,408)	-	-	-	(34,534)
Impairments	-	7,849	102	26,775	-	-	(16)	-	34,710
Reclassified as held for sale	-	(1,532)	-	-	-	-	-	-	(1,532)
Disposals	-	(38)	(24)	-	(25,046)	(346)	(2,387)	(656)	(28,497)
Provided during the year	-	77,624	1,550	-	38,365	528	10,097	1,229	129,393
At 31 March 2011	-	258,071	3,883	28,578	305,217	5,172	54,120	8,239	663,280
Net book value at 1 April 2010	392,247	1,609,312	50,449	368,929	154,554	2,205	30,634	7,117	2,615,447
Net book value at 31 March 2011	391,724	1,663,807	50,849	419,573	160,831	2,131	32,043	10,356	2,731,314
Net book value at 31 March 2011 comprises :									
Purchased	387,185	1,634,639	50,849	419,565	151,345	2,006	31,683	9,946	2,687,218
Donated	4,539	28,100	-	8	9,486	125	185	380	42,823
Government Granted	-	1,068	-	-	-	-	175	30	1,273
	391,724	1,663,807	50,849	419,573	160,831	2,131	32,043	10,356	2,731,314
Asset financing :									
Owned	378,388	1,558,388	46,706	419,573	156,258	2,131	31,917	10,356	2,603,717
Held on finance lease	1	1,768	-	-	3,594	-	126	-	5,489
On-SoFP PFI contracts	13,335	103,651	4,143	-	979	-	-	-	122,108
Total	391,724	1,663,807	50,849	419,573	160,831	2,131	32,043	10,356	2,731,314

The net book value of land, buildings and dwellings at 31 March 2011 comprises :

	£000
Freehold	1,978,103
Long Leasehold	126,873
Short Leasehold	1,404
	2,106,380

10. Property, plant and equipment (continued)

10.2 Non-current assets held for sale	Land	Buildings, including dwelling	Other property, plant and equipment	Total
	£000	£000	£000	£000
Balance brought forward 1 April 2011	1,156	434	-	1,590
Plus assets classified as held for sale in the year	13,219	2,426	-	15,645
Less assets sold in the year	(3,846)	(1,007)	-	(4,853)
Less impairment of assets held for sale	(3,207)	(893)	-	(4,100)
Balance carried forward 31 March 2012	<u>7,322</u>	<u>960</u>	<u>-</u>	<u>8,282</u>
Balance brought forward 1 April 2010	3,323	2,022	-	5,345
Plus assets classified as held for sale in the year	1,927	1,964	55	3,946
Less assets sold in the year	(3,768)	(1,752)	(55)	(5,575)
Less impairment of assets held for sale	(326)	(1,800)	-	(2,126)
Balance carried forward 31 March 2011	<u>1,156</u>	<u>434</u>	<u>-</u>	<u>1,590</u>

11. Intangible non-current assets

	Software (purchased)	Licences and trademarks	Total
	£000	£000	£000
Cost or valuation at 1 April 2011	10,004	11	10,015
Reclassifications	215	-	215
Additions- purchased	1,164	-	1,164
Additions- donated	32	-	32
Disposals	(91)	-	(91)
Gross cost at 31 March 2012	11,324	11	11,335
Amortisation at 1 April 2011	4,767	9	4,776
Reclassifications	7	-	7
Provided during the year	1,638	2	1,640
Disposals	(91)	-	(91)
Amortisation at 31 March 2012	6,321	11	6,332
Net book value at 1 April 2011	5,237	2	5,239
Net book value at 31 March 2012	5,003	-	5,003
At 31 March 2012			
Purchased	4,933	-	4,933
Donated	64	-	64
Government Granted	6	-	6
Total at 31 March 2012	5,003	-	5,003

11. Intangible non-current assets (continued)

	Software (purchased)	Licences and trademarks	Total
	£000	£000	£000
Cost or valuation at 1 April 2010	8,609	11	8,620
Reclassifications	356	-	356
Additions- purchased	1,109	-	1,109
Additions- donated	8	-	8
Disposals	(78)	-	(78)
Gross cost at 31 March 2011	10,004	11	10,015
Amortisation at 1 April 2010	3,331	7	3,338
Reclassifications	68	-	68
Provided during the year	1,446	2	1,448
Disposals	(78)	-	(78)
Amortisation at 31 March 2011	4,767	9	4,776
Net book value at 1 April 2010	5,278	4	5,282
Net book value at 31 March 2011	5,237	2	5,239
At 31 March 2011			
Purchased	5,182	2	5,184
Donated	47	-	47
Government Granted	8	-	8
Total at 31 March 2011	5,237	2	5,239

12. Inventories

	31 March	31 March
	2012	2011
	£000	£000
Drugs	17,241	17,378
Consumables	34,556	30,549
Energy	1,294	1,203
Other	31	34
Total	53,122	49,164

13. Trade and other Receivables

Current	31 March 2012 £000	31 March 2011 £000 Restated
Welsh Government	8,834	7,078
Welsh NHS Trusts	4,728	3,221
Non - Welsh Trusts	5,236	6,253
Other NHS	16	200
Welsh Risk Pool	191,825	182,623
Local Authorities	9,794	9,515
Capital debtors	-	124
Other debtors	48,849	50,597
Provision for irrecoverable debts	(6,944)	(6,184)
Other prepayments and accrued income	25,150	20,005
Sub total	287,488	273,432
Non-current		
Welsh Risk Pool	116,627	149,476
Other debtors	5,420	6,825
Provision for irrecoverable debts	(352)	(931)
Other prepayments and accrued income	1,415	1,854
Sub total	123,110	157,224
Total	410,598	430,656
 Receivables past their due date but not impaired		
By up to three months	12,537	12,989
By three to six months	1,637	3,014
By more than six months	6,954	9,068
	21,128	25,071
 Provision for impairment of receivables		
Balance at 1 April	(7,115)	(9,017)
Amount written off during the year	318	522
Amount recovered during the year	256	804
(Increase) / decrease in receivables impaired	(755)	576
Balance at 31 March	(7,296)	(7,115)

The prior period figures in note 13 have been restated on the other prepayments and accrued income to include prepayments which were included in note 18 in the 2010-11 NHS Wales Summarised Accounts.

14. Trade and other payables

Current	31 March 2012 £000	31 March 2011 £000
Welsh Government	203	3,655
Welsh NHS Trusts	8,819	5,647
Other NHS	44,460	33,133
Income tax and social security	54,003	47,103
Non-NHS creditors	108,854	101,193
Local authorities	17,924	13,603
Capital Creditors	43,915	57,857
Rentals due under operating leases	-	41
Obligations under finance leases, HP contracts and PFI contracts	3,258	5,524
Pensions: staff	17,582	17,864
Accruals	261,261	275,260
Deferred Income	1,684	1,512
Other creditors	25,728	18,469
Total	587,691	580,861
Non-current		
Obligations under finance leases, HP contracts and PFI contracts	83,199	86,289
Total	670,890	667,150

15. Provisions

	At 1 April 2011	Transfer of provisions to creditors	Transfer of provisions between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2012
	£000	£000	£000	£000	£000	£000	£000	£000
Current								
Clinical negligence	165,541	(5,800)	47,387	92,604	(43,145)	(81,273)	617	175,931
Personal injury	6,229	0	2,663	8,457	(5,752)	(3,055)	388	8,930
All other losses and special payments	223	(521)	-	8,663	(7,267)	(501)	-	597
Defence legal fees and other administration	8,707	-	914	5,902	(2,274)	(4,121)	-	9,128
Pensions relating to former directors	8	-	7	-	(8)	-	1	8
Pensions relating to other staff	2,178	-	1,059	323	(1,789)	(124)	442	2,089
Other	39,847	-	(2,530)	13,543	(4,396)	(15,610)	-	30,854
Total	222,733	(6,321)	49,500	129,492	(64,631)	(104,684)	1,448	227,537
Non Current								
Clinical negligence	147,143	-	(47,387)	36,472	(3,454)	(18,287)	646	115,133
Personal injury	17,458	-	(2,663)	1,163	(472)	(1,012)	52	14,526
All other losses and special payments	-	-	-	-	-	-	-	-
Defence legal fees and other administration	4,019	-	(914)	1,989	(340)	(290)	-	4,464
Pensions relating to former directors	64	-	(7)	26	-	(20)	-	63
Pensions relating to other staff	17,795	-	(1,059)	377	(221)	(582)	44	16,354
Other	10,375	-	2,530	1,927	-	(3,211)	-	11,621
Total	196,854	-	(49,500)	41,954	(4,487)	(23,402)	742	162,161
TOTAL								
Clinical negligence	312,684	(5,800)	-	129,076	(46,599)	(99,560)	1,263	291,064
Personal injury	23,687	-	-	9,620	(6,224)	(4,067)	440	23,456
All other losses and special payments	223	(521)	-	8,663	(7,267)	(501)	-	597
Defence legal fees and other administration	12,726	-	-	7,891	(2,614)	(4,411)	-	13,592
Pensions relating to former directors	72	-	-	26	(8)	(20)	1	71
Pensions relating to other staff	19,973	-	-	700	(2,010)	(706)	486	18,443
Other	50,222	-	-	15,470	(4,396)	(18,821)	-	42,475
Total	419,587	(6,321)	-	171,446	(69,118)	(128,086)	2,190	389,698

Expected timing of cash flows:

	In the remainder of spending review to 31 March 2015	Between 1 April 2015-31 March 2020	Thereafter	Total
				£000
Clinical negligence	290,486	578	-	291,064
Personal injury	12,919	4,343	6,194	23,456
All other losses and special payments	597	-	-	597
Defence legal fees and other administration	13,570	22	-	13,592
Pensions relating to former directors	24	35	12	71
Pensions relating to other staff	6,006	11,212	1,225	18,443
Other	42,475	-	-	42,475
Total	366,077	16,190	7,431	389,698

15. Provisions (continued)

	At 1 April 2010	Transfer of provisions to creditors	Transfer of provisions between current and non- current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2011
	£000	£000	£000	£000	£000	£000	£000	£000
Current								
Clinical negligence	168,866	-	3,312	122,583	(62,013)	(67,586)	379	165,541
Personal injury	7,304	21	805	7,831	(6,523)	(3,495)	286	6,229
All other losses and special payments	66	(289)	-	6,855	(6,032)	(377)	-	223
Defence legal fees and other administration	8,388	-	(243)	7,031	(2,643)	(3,826)	-	8,707
Pensions relating to former directors	8	-	6	-	(8)	-	2	8
Pensions relating to other staff	3,046	-	215	559	(1,877)	(13)	248	2,178
Other	38,296	-	243	18,379	(5,552)	(11,519)	-	39,847
Total	225,974	(268)	4,338	163,238	(84,648)	(86,816)	915	222,733
Non Current								
Clinical negligence	123,089	-	(3,312)	41,485	(3,389)	(11,275)	545	147,143
Personal injury	16,501	328	(432)	1,617	(598)	(64)	106	17,458
All other losses and special payments	-	-	-	-	-	-	-	-
Defence legal fees and other administration	2,997	-	243	1,762	(315)	(668)	-	4,019
Pensions relating to former directors	68	-	(6)	2	-	-	-	64
Pensions relating to other staff	18,452	-	(588)	345	(215)	(404)	205	17,795
Other	5,402	-	(243)	5,216	-	-	-	10,375
Total	166,509	328	(4,338)	50,427	(4,517)	(12,411)	856	196,854
TOTAL								
Clinical negligence	291,955	-	-	164,068	(65,402)	(78,861)	924	312,684
Personal injury	23,805	349	373	9,448	(7,121)	(3,559)	392	23,687
All other losses and special payments	66	(289)	-	6,855	(6,032)	(377)	-	223
Defence legal fees and other administration	11,385	-	-	8,793	(2,958)	(4,494)	-	12,726
Pensions relating to former directors	76	-	-	2	(8)	-	2	72
Pensions relating to other staff	21,498	-	(373)	904	(2,092)	(417)	453	19,973
Other	43,698	-	-	23,595	(5,552)	(11,519)	-	50,222
Total	392,483	60	-	213,665	(89,165)	(99,227)	1,771	419,587

16. Cash and cash equivalents

	2011-12	2010-11
	£000	£000
Balance at 1 April	11,867	16,194
Net change in cash and cash equivalent balances	(3,802)	(4,327)
Balance at 31 March	8,065	11,867
Made up of:		
Cash held at Office of HM Paymaster General / GBS	8,762	27,235
Commercial banks and cash in hand	(697)	(15,368)
Cash and cash equivalents as in Statement of Financial Position	8,065	11,867
Cash and cash equivalents as in Statement of Cash Flows	8,065	11,867

17. Other Financial Assets

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2012	2011	2012	2011
	£000	£000	£000	£000
Financial assets				
Loans carried at amortised cost	27	26	869	896
	27	26	869	896

18. Other assets

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2012	2011	2012	2011
	£000	£000	£000	£000
EU Emissions Trading Scheme Allowance	47	150	-	-
	47	150	-	-

The prior period figures in note 18 have been restated by transferring the prepayments to note 13 Trade and Other Receivables.

19. Other liabilities

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2012	2011	2012	2011
	£000	£000	£000	£000
PFI asset -deferred credit	292	292	1,478	1,770
Other	3,194	3,201	-	-
	3,486	3,493	1,478	1,770

The other line has been restated to include £150,000 due to the reclassification of a Government Grant at Cardiff and Vale University Local Health Board.

20. Other financial liabilities

No other financial liabilities were reported by LHBs.

21. Related Party Transactions

The Welsh Government was regarded as a related party. During the year the LHBs had a significant number of material transactions with the Welsh Government and with other NHS bodies.

All seven LHBs undertook related party transactions. The details of these can be found in the underlying accounts.

22. Third Party Assets

LHBs held £2,196,877 cash at bank and in hand at 31 March 2012 (31 March 2011: £2,088,623) which relates to monies held by the LHB on behalf of patients. This has been excluded from cash and cash equivalents figure reported in the accounts.

23. Losses and special payments

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

Gross loss to the Exchequer

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

	Amounts paid out during period to 31 March 2012		Approved to write-off to 31 March 2012	
	Number	£	Number	£
Clinical negligence	552	46,519,140	270	23,518,334
Personal injury	433	5,846,742	233	4,898,385
All other losses and special payments	1,493	8,187,579	1,474	8,040,970
Total	2,478	60,553,461	1,977	36,457,689

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

	Cases over £250,000, paid out during the year		Cumulative interim payments over £250,000	
	Number	£	Number	£
Clinical negligence	32	30,149,457	98	120,433,171
Personal injury	2	677,353	6	2,007,924
All other losses and special payments	1	2,619,102	2	6,736,596
Total	35	33,445,912	106	129,177,691

24. Contingencies

24.1 Contingent liabilities

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

	2011-12	2010-11
	£'000	£'000
Legal claims for alleged medical or employer negligence	411,417	367,282
Defence costs	6,362	5,783
Continuing Care health costs	41,336	52,525
Other	1,971	-
Total value of disputed claims	461,086	425,590
Less amounts recovered in the event of claims being successful	365,009	316,718
Net contingent liability	96,077	108,872

24.2 Contingent assets

The LHBs have no contingent assets disclosures.

25. Capital commitments

Contracted capital commitments at 31 March 2012 for

	2011-12	2010-11
	£'000	£'000
Property, plant and equipment	166,308	91,274
	166,308	91,274

26. Finance leases obligations (as lessee)

Amounts payable under finance leases:

Buildings	31 March 2012	31 March 2011
Minimum lease payments	£000	£000
Within one year	279	261
Between one and five years	995	1,001
After five years	273	504
Less finance charges allocated to future periods	(129)	(165)
Minimum lease payments	1,418	1,601
Included in:		
Current borrowings	240	222
Non-current borrowings	1,178	1,379
	1,418	1,601
Present value of minimum lease payments		
Within one year	243	221
Between one and five years	808	735
After five years	205	320
Less finance charges allocated to future periods	(42)	(51)
Present value of minimum lease payments	1,214	1,225
Included in:		
Current borrowings	16	16
Non-current borrowings	33	49
	49	65
Other	31 March 2012	31 March 2011
Minimum lease payments	£000	£000
Within one year	531	2,895
Between one and five years	1,371	1,478
After five years	1,066	1,350
Less finance charges allocated to future periods	(473)	(611)
Minimum lease payments	2,495	5,112
Included in:		
Current borrowings	422	2,729
Non-current borrowings	2,073	2,360
	2,495	5,089
Present value of minimum lease payments		
Within one year	418	1,693
Between one and five years	1,061	1,371
After five years	984	1,217
Less finance charges allocated to future periods	(7)	(31)
Present value of minimum lease payments	2,456	4,250
Included in:		
Current borrowings	186	352
Non-current borrowings	1,842	2,028
	2,028	2,380

27. Private Finance Initiative contracts

At the start of the year five of the seven Local Health Boards disclosed private finance transactions: ABM LHB, Aneurin Bevan LHB, Betsi Cadwaladr LHB, Cardiff and Vale LHB, and Cwm Taf LHB . These health boards reported 10 Private Finance Initiatives (PFI) and five Public Private Partnerships (PPP) schemes.

Eight of the PFI schemes were on Statement of Financial Position and two were off -Statement of Financial Position. The total obligation for on-Statement of Financial Position PFI contracts was £217.467 million. The LHB total annual charge commitment was £18,233k.

There were 5 PPP schemes on Statement of Financial Position during 2011 -12. Further details are given in the individual health board accounts.

28. Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. The LHBs are not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which these standards mainly apply. The LHBs have limited powers to invest and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the LHBs in undertaking their activities.

Currency risk

The LHBs are principally domestic organisations with the great majority of transactions, assets and liabilities being in the UK and Sterling based. The LHBs have no overseas operations. The LHBs therefore have low exposure to currency rate fluctuations.

Interest rate risk

LHBs are not permitted to borrow. The LHBs therefore have low exposure to interest rate fluctuations.

Credit risk

Because the majority of the LHB's funding derives from funds voted by the Welsh Government the LHBs have low exposure to credit risk.

Liquidity risk

The LHBs are required to operate within cash limits set by the Welsh Government for the financial year and draws down funds from the Welsh Government as the requirement arises. The LHBs are not, therefore, exposed to significant liquidity risks.

29. Events after reporting period

At 1 June 2012 Velindre NHS Trust will become host for NHS Wales Shared Services. In accordance with the FReM, the transfer of functions will be treated as a merger, and all transactions and balances related to those functions will be shown in future years in Velindre NHS Trust's financial statements. The Income and Expenditure and assets and liabilities will be treated as a prior period adjustment in the accounts of Local Health Boards and the NHS Wales Summarised Accounts.

30. Movements in working capital

	2011-12	2010-11
	£000	£000
		Restated
(Increase)/decrease in inventories	(3,958)	(2,659)
(Increase)/decrease in trade and other receivables - non-current	34,114	(30,361)
(Increase)/decrease in trade and other receivables -current	(14,056)	13,404
(Increase)/decrease in other assets	129	25
Increase/(decrease) in trade and other payables- non-current	(3,090)	(4,917)
Increase/(decrease) in trade and other payables- current	6,830	25,232
Increase/(decrease) in other liabilities	(299)	(66)
Total	19,670	658
Adjustment for accrual movements in fixed assets -creditors	13,942	(22,655)
Adjustment for accrual movements in fixed assets -debtors	(124)	(1,709)
Other adjustments	290	(353)
Total	33,778	(24,059)

31. Other cash flow adjustments

	2011-12	2010-11
	£000	£000
		Restated
Depreciation	134,811	129,393
Amortisation	1,640	1,448
(Gains)/Loss on Disposal	(41)	96
Impairments and reversals	187,959	103,089
Release of PFI deferred credits	(292)	(292)
Donated assets received credited to revenue but non-cash	(2,833)	(5,084)
Government Grant assets received credited to revenue but non-cash	(329)	(982)
Finance Costs	-	1,775
Non-cash movements in provisions	36,757	116,269
Total	357,672	345,712

**THE NATIONAL HEALTH SERVICE IN WALES - LOCAL HEALTH BOARDS IN WALES
SUMMARISED ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH SECTION 178, SCHEDULE 9, PARA 5(4) OF THE NATIONAL HEALTH SERVICE (WALES) ACT 2006**

1. HM Treasury directs that an account summarised by consolidation shall be prepared for the financial year ended 31 March 2012, and subsequent financial years, in respect of the Local Health Boards in Wales. The basis of preparation and form and content shall be as set out in the following paragraphs and schedules.

BASIS OF PREPARATION

2. The summarised account of the Local Health Boards in Wales shall be prepared from the audited accounts of all the individual Local Health Boards to which it relates.

FORM AND CONTENT

3. The summarised account of the Local Health Boards in Wales shall be prepared in compliance with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) issued by HM Treasury which is in force for the financial year, but specifically excluding a Statement of Parliamentary Supply and any other divergences as have been formally agreed for that year by HM Treasury.

4. The summarised account of the Local Health Boards shall be prepared so as to:

a) give a true and fair view of the state of affairs as at 31 March 2012, and subsequent financial year-ends, and of the Statement of Comprehensive Net Expenditure, Statement of Changes in Taxpayers' Equity and Statement of Cash Flows for the financial year then ended; and

b) provide disclosure of any material expenditure or income that has not been applied for the purposes intended by the National Assembly for Wales or material transactions that have not conformed to the authorities that govern them.

5. The Foreword, Governance Statement and Statement of Financial Position shall be signed by the Accounting Officer and dated.

6. Compliance with the requirements of the FReM will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM is inconsistent with the requirement to give a true and fair view, the requirements of the FReM should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative

treatment that should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Welsh Government.

7. This direction supersedes the direction dated 15 July 2010

Chris Wobschall
Deputy Director, Assurance and Financial Reporting Policy
HM Treasury
19 May 2012

SCHEDULE 1

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE COMPANIES ACT AND ACCOUNTING STANDARDS

Companies Act

8. The disclosure exemptions permitted by the Companies Act shall not apply to the LHBs unless specifically approved by the Treasury.

9. The Companies Act requires certain information to be disclosed in the Director's Report. To the extent that it is appropriate to the LHBs, the information relating to LHBs shall be contained in the foreword.

Accounting Standards

10. LHBs bodies are not required to include a note showing the historical cost profits and losses.

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 178, Schedule 9, Para 5 (4) of the NHS (Wales) Act 2006.

2. The foreword shall also contain a description of the statutory background and main functions of the LHBs to which it relates together with a fair review of their operational and financial activities, and a summary of their performance against targets.

NHS Trusts in Wales

Statement of the Welsh Government and Accounting Officer's responsibilities

Section 129 (6) of the Government of Wales Act 2006 requires that the Principal Accounting Officer for the Welsh Ministers, is the Permanent Secretary to the Welsh Government. Section 133(2) of the same Act enables the Principal Accounting Officer for the Welsh Ministers to designate other members of the Welsh Government staff as Additional Accounting Officers.

Under these arrangements, the Director General, for the Department for Health, Social Services and Children and Chief Executive, NHS Wales has been appointed as an Additional Accounting Officer. His relevant responsibilities, for the Summarised Account of NHS Trusts in Wales, including his responsibilities for the propriety and regularity of public finances for which he is answerable, for the keeping of proper records and the preparation of accounts have been assigned to him through the Memorandum for Additional Accounting Officers.

Section 178, Schedule 9, Para 5(2) of the National Health Service (Wales) Act 2006 requires the Welsh Government to prepare a statement of accounts for each financial year in the form and on the basis directed by the Treasury. The accounts are prepared 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, and cash flows for the financial year.

In preparing the accounts the Welsh Government 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 so.

2011-12 Summarised NHS Trust Annual Governance Statement

1. Scope of responsibility

As Chief Executive NHS Wales and Additional Accounting Officer for the Department for Health Social Services and Children, I have responsibility for maintaining appropriate governance structures and procedures together with a sound system of internal control that supports the achievement of the Welsh Government policies, aims and objectives in accordance with the principles set out in Managing Public Money. I am also responsible for safeguarding the public funds and departmental assets for which I am personally responsible in accordance with the responsibilities assigned to me by the Permanent Secretary in her role as Principal Accounting Officer under section 133(2) of the Government of Wales Act 2006.

I am responsible for the propriety and regularity of public finances for the NHS in Wales; for the keeping of proper records; the preparation of accounts; for prudent behaviour and economical administration; the avoidance of waste and extravagance; and for the efficient use of all resources.

To enable me to fulfil these responsibilities I appoint Chief Executives of NHS trusts to serve as Accountable Officers. It is their responsibility to ensure that there are appropriate governance structures and procedures and effective system of internal control within their individual organisations.

2. Governance framework

The Welsh Government require that the NHS trusts in Wales operate within the wider governance framework set for the NHS in Wales and incorporating the standards of good governance set for the NHS in Wales, (as defined in the Citizen Centred Governance Principles and standards for Health Services in Wales), together with the planning and performance frameworks.

NHS Trusts must agree Standing Orders for the regulation of proceedings and business. They are designed to translate the statutory requirements into day to day operating practice. Together with the adoption of a scheme of decisions reserved to the Board; a scheme of delegations to officers and others and Standing Financial Instructions they provide the regulatory framework for the business conduct of the NHS trust.

The NHS trust Boards are each supported by a Board Secretary and between 6 and 7 committees including:

- Audit Committee
- Quality and Safety Committee
- Remuneration Committee

Details of the Board committee structure, attendance records are available within the governance statements of the individual bodies. All NHS trust boards have reported

- that they have appropriate systems and procedures in place to provide assurance that the corporative objectives are achieved, and,
- sound systems of internal control in place that support the delivery of their policy aims and objectives.

No reference has been made to any notable board committee reports in the individual Annual Governance Statements of the NHS trusts.

The systems and internal controls used to underpin the data used by the NHS trust Boards are subject to independent internal and external scrutiny by organisations such as NHS Wales Shared Services Partnership Internal Audit, Wales Audit Offices and Health Inspectorate Wales.

3. The purpose of the system of internal control

The NHS trust system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The NHS trust system of internal control is based on a continuing process designed to identify the principal risks to the achievement of the Welsh Government's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The system of internal control has been in place for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts, and accords with HM Treasury and Welsh Government guidance.

4. Capacity to handle risk

Guidance has been issued by the Welsh Government over a number of years to each Accountable Officer regarding corporate governance, clinical governance, risk management and internal control systems.

I require the Board of each organisation to take overall responsibility for risk management and to have risk management, control and review processes in place. In 2011-12 trust Boards were required to self assess against the Doing Well Doing Better: Standards for Health Services in Wales, as a toolkit to inform NHS trust Boards of the significant risks within their organisations. The standards assist Boards to identify risks, determine unacceptable levels of risk, and to then decide on where best to direct limited resources to eliminate or reduce those risks. A central theme across the standards is the importance of ensuring that staff have the information, training and access to expert advice which they need to exercise their responsibilities effectively.

An agreement is in place with the Welsh Risk Pool that requires the Pool to support NHS organisations in the development of risk management systems by providing advice, developing education in healthcare risk management and facilitating the exchange of information on good

practice and lessons learnt. The Chief Executive of Betsi Cadwaladr University Local Health Board was accountable to me for the work of the Welsh Risk Pool.

5. Doing Well, Doing Better: Standards for Health Services in Wales

The Welsh Government wants to see significant improvements in the health of all of the people of Wales. NHS Wales healthcare organisations' will need to demonstrate strong NHS engagement with the public and communities on planning and accessing health services. In November 2011, the Welsh Government issued Together for Health, the health and social care strategy for Wales for 2011-2016, which sets out a clear 5-year ambition, this is the beginning of a much bigger process to make it far easier for the user to use, understand and influence the NHS.

The strategy will be underpinned by ten delivery plans as follows:

- Together for Health: Maternity Delivery Plan,
- Together for Health: Cancer Delivery Plan,
- Together for Health: Mental health Delivery Plan,
- Together for Health: Stroke Delivery Plan ,
- Together for Health: Unscheduled Care Delivery Plan ,
- Together for Health: Primary and Community Care Delivery Plan,
- Together for Health: Cardiac Care Delivery Plan,
- Together for Health: Oral health Delivery Plan ,
- Together for Health: Diabetes Delivery Plan, and
- Together for Health: Palliative and End of Life Care Delivery Plan.

The trusts have used the Doing Well, Doing Better: Standards for Health Services in Wales as their framework for gaining assurance on their ability to fulfil their aims and objectives for the delivery of safe, high quality health services. This involves self assessment of performance against the standards across all activities and at all levels throughout the organisation. As part of this process, the organisations have completed the Governance & Accountability Assessment Module. This process has been subject to independent internal assurance by Heads of Internal Audit.

The trusts have plans in place to achieve the improvement actions identified and within clearly defined timescales proportionate to the risk. Doing Well Doing Better: Standards for Health Services in Wales set out the Welsh Government's common framework to support the NHS and partner organisations in providing effective, timely and quality services across all healthcare settings. One of the key aims of the Standards for Wales is to simplify and consolidate existing standards into one set of overarching standards for all healthcare organisations in Wales, including independent and voluntary healthcare providers. In line with these objectives, the system of self-assessment has been developed to enable the NHS trusts to assess

- How the standards are being used;
- What the organisation is doing well and should share;
- What is being done less well and therefore needs to be put right and improved; and,
- How Services Teams and Staff are supported to undertake the above and to make improvements.

The Doing Well Doing Better: Standards for Health Services in Wales have been used across Wales and they have been used to underpin the Annual Governance Statement.

6. The risk and control framework

I require all NHS trusts to have a risk management framework that ensures a systematic approach to internal control. Trusts are free to choose a framework of their choice. Whichever framework is chosen, organisations must ensure that they have evidence that they deem sufficient to demonstrate they have implemented processes appropriate to their circumstances.

In 2011-12 NHS trusts were required to outline their self assessment of performance against the Governance & Accountability Assessment Module. The self assessment enabled the NHS trust Boards to identify how the new standards can be used to underpin the 5 year Service Workforce and Financial Strategic Framework Plans and the Annual Operational Framework. The collated information provides an assessment of the overall maturity level for each theme.

	The NHS trusts:				
Governance and Accountability Module	do not yet have a clear, agreed understanding of where they are (or how they are doing) and what / where they need to improve.	are aware of the improvements that need to be made and have prioritised them, but are not yet able to demonstrate meaningful action.	are developing plans and processes and can demonstrate progress with some of their key areas for improvement.	have well developed plans and processes and can demonstrate sustainable improvement throughout the organisation / business.	can demonstrate sustained good practice and innovation that is shared throughout the organisation/ business, and which others can learn from.
Setting the Direction				✓	
Enabling Delivery			✓		
Delivering results achieving excellence				✓	
Overall Maturity Level				✓	

The trusts have plans in place to achieve the improvement actions identified within clearly defined timescales proportionate to the risks.

Clinical governance

Trusts and partner organisations are required to ensure that a framework is in place for continuously improving the quality and safeguarding high standards of care. Boards are required to take responsibility and account for:

- The overall quality and safety of care;

- 5
- Participation in clinical audit, benchmarking activities and processes for monitoring clinical care;
 - Strict adherence to the Complaints Procedure at all stages;
 - Clear policies for managing risk, to ensure and improve patient safety.

All three trusts are engaged in improvement work under the 1000 Lives Plus Programme, a national programme which seeks to improve the quality of patient care and reduce avoidable harm across NHS Wales. Details of each trusts actions are included in the underlying NHS trust's governance statements.

Information Governance

The trusts have well established arrangements for Information Governance to ensure that information is managed in line with the relevant Information Governance law, regulations and Information Commissioners Office guidance. One of the Trusts reported two significant data security lapses, both of these were managed through the relevant trust's internal processes.

Equality Diversity and Human Rights

Control measures are in place to ensure that all the NHS trusts' obligations under equality, diversity and human rights legislation are complied with.

NHS Pension Scheme

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

Carbon Reduction

The NHS trusts are undertaking environmental risk assessments to ensure Carbon Reduction Delivery Plans are in place in accordance with emergency preparedness and civil contingency requirements as based on UKCIP 2009 weather projections to ensure that the organisation's obligation under the climate change Act and the Adaptation Reporting requirements are complied with.

7. Review of effectiveness

As the Director General and Additional Accounting Officer, I have responsibility for reviewing the effectiveness of governance and the system of internal control. My review of the effectiveness of the system on internal control is informed by the work of the internal auditors, the Assembly's Corporate Governance Committee, which oversees the work of the internal auditors, the reports submitted to the Executive Board by the Department's Corporate

Governance Committee and comments made by the external auditors in their management letter and other reports.

The Internal Audit Assurance Statement for all three NHS Trusts concluded that:

‘The Boards can take reasonable assurance that the arrangements upon which the organisation relies to manage risk, control and governance within those areas under review, and the organisational compliance noted, are suitably designed and applied effectively. However, some issues have been identified that, if not addressed, increase the likelihood of risks materialising’.

NHS trust Chief Executives have each submitted an Annual Governance Statement for the year ending 31st March 2012. These statements and the associated audit reports are reviewed so that I can be satisfied that any issues raised by the Accountable Officers do not pose a significant threat and that they are being dealt with appropriately. In 2011-12 two of the three NHS trusts have reported no significant governance issues, the remaining NHS trust has reported three matters that they consider to be significant. Actions are being progressed to address all three issues.



David Sissling
Director General, Department for Health, Social Services and Children
Chief Executive, NHS Wales and Additional Accounting Officer for the NHS in Wales

9 July 2012

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

I certify that I have audited the financial statements of the Summarised Accounts of the NHS Trusts in Wales for the year ended 31 March 2012 under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. These comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Tax Payers Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards.

Respective responsibilities of the Additional Accounting Officer and Auditor

As explained more fully in the Statement of Additional Accounting Officer's Responsibilities [set out page 2], the Chief Executive of NHS Wales as Additional Accounting Officer is responsible on behalf of Welsh Ministers for preparing the financial statements in accordance with paragraph 5 of schedule 9 to the National Health Service (Wales) Act 2006 and directions made by HM Treasury there under and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to NHS Trusts' circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the NHS Trust Directors and Chief Executives; and the overall presentation of the financial statements.

I am also required to obtain sufficient evidence to give reasonable assurance that 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.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the NHS Trusts in Wales as at 31 March 2012 and of their surplus, their recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by HM Treasury.

Opinion on Regularity

In my opinion in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

Matters on which I report by exception

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

- the Annual Governance Statement does not reflect compliance with HM Treasury's and Welsh Ministers' guidance;
- proper accounting records have not been kept; or
- I have not received all the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
10 July 2012

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

**STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2012**

	Note	2011-12 £000	2010-11 Restated £000
Revenue from patient care activities	2	274,820	272,851
Other operating revenue	3	97,516	100,606
Operating expenses	4	(371,806)	(372,957)
Operating surplus		530	500
Investment revenue	5	123	72
Other gains and losses	6	20	47
Finance costs	7	(564)	(610)
Retained surplus/(deficit)		109	9
Other Comprehensive Income			
Net gain on revaluation of property, plant and equipment		2,070	45
Total other comprehensive income for the year		2,070	45

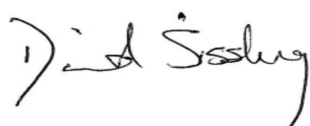
For 2010-11 the NHS Wales trusts reported a retained surplus of £154k. The comparative figures for 2010-11 that are shown above have been restated to reflect the HM Treasury Financial Reporting Manual (FRM) amendment for the abolition of the Donated Assets and Government Grant Reserves. This does not impact on the achievement of the trusts' financial duties for 2010-11.

The notes on pages 16 to 54 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2012

		31 March 2012 £000	31 March 2011 £000 Reclassified
Non-current assets			
Property, plant and equipment	12	166,475	161,858
Intangible assets	13	15,275	9,285
Total non-current assets		181,750	171,143
Current assets			
Inventories	19	2,997	3,399
Trade and other receivables	20	27,118	27,698
Cash and cash equivalents	21	40,325	25,161
		70,440	56,258
Non-current assets held for sale	12	170	175
Total current assets		70,610	56,433
Total assets		252,360	227,576
Current liabilities			
Trade and other payables	22	(52,471)	(46,702)
Borrowings	23	(3,611)	(1,448)
Other financial liabilities	24	(450)	-
Provisions	26	(8,369)	(3,679)
Other liabilities	25	(2)	(2)
Total current liabilities		(64,903)	(51,831)
Net current assets/(liabilities)		5,707	4,602
Total assets less current liabilities		187,457	175,745
Non-current liabilities			
Borrowings	23	(9,488)	(11,812)
Other financial liabilities	24	(1,663)	-
Provisions	26	(6,308)	(6,204)
Other liabilities	25	-	(2)
Total non-current liabilities		(17,459)	(18,018)
Total assets employed		169,998	157,727
Financed by:			
Taxpayers' equity			
Public dividend capital		133,311	123,219
Retained earnings		1,307	(96)
Revaluation reserve		35,380	34,604
Total taxpayers' equity		169,998	157,727

The notes on pages 16 to 54 form part of these accounts.



David Sissling

Date... 09/07/2012

Director General, Department for Health Social Services and Children, Chief Executive NHS Wales.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Public Dividend Capital £000	Retained earnings £000	Revaluation reserve £000	Total £000
Balance at 31 March 2011 Restated	123,219	(96)	34,604	157,727
Changes in taxpayers' equity for 2011-12				
Retained surplus/(deficit) for the year		109	-	109
Net gain on revaluation of property, plant and equipment		-	2,070	2,070
Transfers between reserves		1,294	(1,294)	-
New Public Dividend Capital received	12,821			12,821
Public Dividend Capital repaid in year	(743)			(743)
Other movements in PDC in year	(1,986)			(1,986)
Balance at 31 March 2012	133,311	1,307	35,380	169,998

The notes on pages 16 to 54 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

	Public Dividend Capital £000	Retained earnings £000	Revaluation reserve £000	Donated asset reserve £000	Total £000
Balance at 31 March 2010					
As previously stated	88,604	(12,306)	38,898	6,625	121,821
Prior period adjustment for removal of donated & govt granted asset reserves	-	6,530	95	(6,625)	-
Prior Period Adjustment	10,275	1,237	-	-	11,512
Restated balance at 1 April 2010	98,879	(4,539)	38,993	-	133,333
Changes in taxpayers' equity for 2010-11 (Restated)					
Retained surplus/(deficit) for the year		9	-	-	9
Net gain on revaluation of property, plant and equipment		-	45	-	45
Transfers between reserves		4,434	(4,434)	-	-
New Public Dividend Capital received	13,252				13,252
Other movements in PDC in year	11,088				11,088
Balance at 31 March 2011 restated	123,219	(96)	34,604	-	157,727

The notes on pages 16 to 54 form part of these accounts.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2012

	Note	2010-12 £000	2010-11 £000
Cash flows from operating activities			Reclassified
Operating surplus/(deficit)	SoI&E	530	500
Depreciation and amortisation		20,871	20,143
Impairments and reversals		2,736	3,490
Donated Assets received credited to revenue but non cash		-	(159)
Interest paid		(450)	(497)
(Increase)/decrease in inventories		402	(774)
(Increase)/decrease in trade and other receivables		(1,406)	7,430
Increase/(decrease) in trade and other payables		3,131	2,289
Increase/(decrease) in other current liabilities		2,111	-
Increase/(decrease) in provisions		4,794	842
Net cash inflow/(outflow) from operating activities		<u>32,719</u>	<u>33,264</u>
Cash flows from investing activities			
Cash flows from investing activities			
Interest received		120	70
(Payments) for property, plant and equipment		(23,314)	(32,676)
Proceeds from disposal of property, plant and equipment		82	301
(Payments) for intangible assets		(5,962)	-
Net cash inflow/(outflow) from investing activities		<u>(29,074)</u>	<u>(32,305)</u>
Net cash inflow/(outflow) before financing		<u>3,645</u>	<u>959</u>
Cash flows from financing activities			
Public Dividend Capital received		12,821	13,252
Public Dividend Capital repaid		(743)	-
Capital elements of finance leases and on SoFP PFI		(1,633)	(1,375)
Net cash inflow/(outflow) from financing activities		<u>10,445</u>	<u>11,877</u>
Net increase/(decrease) in cash and cash equivalents		<u>14,090</u>	<u>12,836</u>
Cash [and] cash equivalents [and bank overdrafts] at the beginning of the financial year	21	24,211	11,375
Cash [and] cash equivalents [and bank overdrafts] at the end of the financial year	21	<u>38,301</u>	<u>24,211</u>

The notes on pages 16 to 54 form part of these accounts.

Notes to the Accounts

1. Accounting policies

The Welsh Minister for Health and Social Services has directed that the financial statements of NHS trusts in Wales shall meet the accounting requirements of the NHS Trusts' Manual for Accounts. Consequently, the underlying financial statements have been prepared in accordance with the 2011/12 NHS Trusts' Manual for Accounts. The accounting policies contained in that manual follow the European Union version of the International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts' Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NHS trusts are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Acquisitions and discontinued operations

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

1.3 Revenue

The main source of revenue for the trusts is from the Welsh Government and the Health Boards. Revenue is recognised in the period in which services are provided.

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

The NHS trusts receive income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The NHS trusts recognise the income when it receives notification from the Department for Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and interest rate applicable.

1.4 Employee Benefits

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

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For early retirements, other than those due to ill health, the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the trusts commits themselves to the retirement, regardless of the method of payment.

Where employees are members of the Local Government Superannuation Scheme, which is a defined benefit pension scheme. The scheme assets and liabilities attributable to those employees can be identified and are recognised in the trusts' accounts. The assets are measured at fair value and the liabilities at the present value of the future obligations. The increase in the liability arising from pensionable service earned during the period is recognised within operating expenses. The expected gain during the period from scheme assets is recognised within finance income. The interest cost for the period arising from the unwinding of the discount on the scheme liabilities is recognised within finance costs. Actuarial gains and losses for the period are recognised in the pensions reserve and reported as an item of other comprehensive income.

1.5 Other expenses

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

1.6 Property, plant and equipment

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
 - it is probable that future economic benefits will flow to, or service potential will be supplied to, the trust;
 - it is expected to be used for more than one financial year;
 - the cost of the item can be measured reliably; and
 - the item has cost of at least £5,000; or
 - Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they have broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
-

- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are depreciated over their own useful economic lives, where they are significant in relation to the whole.

Valuation

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

Land and buildings used for the trusts' services or for administrative purposes are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the balance sheet date. Fair values are determined as follows:

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

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. The Welsh Government has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales trusts have applied these new valuation requirements from 1 April 2009.

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

For 2011-12 indexation has been applied to the Land and Properties of NHS Wales trusts based on indices for NHS Wales Land and Buildings obtained from the District Valuation Office. The equipment of NHS Wales trusts is subject to indexation. The carrying value of existing assets will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. This was a change in accounting policy introduced in 2010-11 where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter to expenditure. However, to ensure that the outcome as reflected in the reserves figure on the Statement of Financial Position is consistent with the requirements of IAS 36 had this adaptation not been applied, the balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 should be transferred to retained earnings.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

1.7 Intangible assets

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trusts' business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the trust; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

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

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

Measurement

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

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

1.8 Depreciation, amortisation and impairments

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

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the trusts expect to obtain economic benefits or service potential from the asset. This is specific to the trust and may be shorter than the physical life of the asset itself.

Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and estimated useful lives

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

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

1.9 Borrowing costs

Borrowing costs are recognised as expenses as they are incurred.

1.10 Donated assets

Following the accounting policy change outlined in the Treasury FReM for 2011-12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their face value on receipt, with a matching credit to miscellaneous income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the donation preclude immediate recognition of the gain.

This accounting policy change has been applied retrospectively and the 2010-11 results have been restated.

1.11 Government grants

Following the accounting policy change outlined in the Treasury FReM for 2011-12, a government grant reserve is no longer maintained. The value of assets received by means of government grant are credited directly to miscellaneous income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the government grant preclude immediate recognition of the gain.

Although this accounting policy change has been applied retrospectively across the Welsh NHS, as the trusts do not have a government grant reserve on their Statement of Financial Position no restatement of the prior year was required.

1.12 Non-current assets held for sale

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

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Income Statement. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then transferred to retained earnings.

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

1.13 Leases

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

The trusts as lessee

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

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

Contingent rentals are recognised as an expense in the period in which they are incurred.

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

The trusts as lessor

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

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

1.14 Private Finance Initiative (PFI) transactions

The NHS trusts have no PFI arrangements.

1.15 Inventories

Inventories are valued at the lower of cost and net realisable value using the weighted average cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.16 Cash and cash equivalents

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

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the NHS trusts' cash management.

1.17 Provisions

Provisions are recognised when the NHS trusts have a present legal or constructive obligation as a result of a past event, it is probable that the NHS trusts will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms.

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

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

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

1.18 Clinical Negligence Costs

The Welsh Risk Pool operates a risk pooling scheme which is currently funded by the Welsh Government. The WRP is hosted by Betsi Cadwaladr University LHB.

1.19 EU Emissions Trading Scheme

The NHS trusts are not members of the EU Emission Trading Scheme.

1.20 Contingencies

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

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

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

1.21 Financial assets

Financial assets are recognised when the NHS trusts become party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

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

Financial assets at fair value through Statement of Comprehensive Income and Expenditure

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

Held to maturity investments

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

Available for sale financial assets

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

Loans and receivables

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

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the end of the reporting period, the trusts assess whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

1.22 Financial liabilities

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

Loans from the Welsh Government are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

The NHS trusts do not have any financial guarantee contract liabilities nor any financial derivatives requiring to be stated at fair value through profit and loss.

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

1.23 Value Added Tax

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

1.24 Foreign currencies

The NHS trusts' functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March 2012. Resulting exchange gains and losses for either of these are recognised in the trusts' surplus/deficit in the period in which they arise.

1.25 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS trusts have no beneficial interest in them.

1.26 Public Dividend Capital

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

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

1.27 Losses and Special Payments

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

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

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

All claims for losses and special payments are provided for, where the probability of settlement of an individual claim is over 50%. Expected reimbursements from the Welsh Risk Pool are included in debtors. For those claims where the probability of settlement is below 50%, the liability is disclosed as a contingent liability.

1.28 Subsidiaries

Material entities over which the trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the trust's or where the subsidiary's accounting date is before 1 January or after 30 June.

Subsidiaries that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'

For 2011-12 the trusts have not consolidated the NHS charitable funds for which they are the corporate trustee.

Summarised Accounts of NHS Trusts in Wales 2011-12

2. Revenue from patient care activities	2011-12	2010-11
	£000	£000
Welsh Government	68,241	67,138
WHSSC	139,059	137,584
Local health boards	63,412	64,475
Other NHS trusts	656	180
Strategic health authorities and primary care trusts	62	-
Foundation Trusts	229	321
Non NHS:		
Private patient income	1,049	1,147
Injury Costs Recovery (ICR) Scheme	637	488
Other revenue from activities	1,475	1,518
Total	274,820	272,851

ICR income is subject to a provision for impairment of 10.5% to reflect expected rates of collection.

3. Other operating revenue	2011-12	2010-11
	£000	£000
		Restated
Education, training and research	4,742	5,124
Charitable and other contributions to expenditure	1,953	1,934
Income generation	966	841
Rental revenue	88	175
Other revenue:		
Provision of laundry, pathology, payroll services	11,771	11,084
Accommodation and catering charges	157	148
Staff payments for use of cars	253	258
Business Unit (Please specify)	(1,705)	-
Other	79,291	81,042
Total	97,516	100,606

Other revenue includes:

NWIS	43,488	52,028
Non-ambulance transport for other NHS bodies	3,861	3,783
Ambulance Radio Replacement Programme (ARRP)	3,394	3,312
Hazardous Area Response Team (HART)	2,385	519
Personal injury benefit scheme (PIBS)	2,000	2,000
Staff Recharge	1,803	263
Air Ambulance paramedic funding	597	522
Other	21,763	18,615

Total	79,291	81,042
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Summarised Accounts of NHS Trusts in Wales 2011-12

4. Operating expenses

	2011-12	2010-11
	£000	£000
4.1 Operating expenses		
Local Health Boards	15,988	14,671
Other NHS Trusts	450	505
Goods and services from other NHS bodies	1,141	1,169
Purchase of healthcare from non-NHS bodies	133	1,224
Welsh Local Authorities	91	94
Directors' costs	2,979	2,138
Staff costs	221,224	221,765
Supplies and services - clinical	39,613	37,329
Supplies and services - general	2,037	1,872
Consultancy Services	4,951	1,130
Establishment	13,608	23,619
Transport	15,297	13,971
Premises	17,924	17,296
Provision for impairment of receivables	40	(12)
Depreciation	17,357	15,866
Amortisation	3,514	4,277
Impairments and reversals of property, plant and equipment	2,736	3,490
Audit fees	523	556
Other auditors' remuneration	-	17
Losses, special payments and irrecoverable debts	6,791	2,822
Other operating expenses	5,409	9,158
Total	371,806	372,957

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

	2011-12	2010-11
	£000	£000
Increase/(decrease) in provision for future payments:		
Clinical negligence	5,086	733
Personal injury	1,354	1,659
All other losses and special payments	129	378
Defence legal fees and other administrative costs	193	85
Gross increase/(decrease) in provision for future payments	6,762	2,855
Irrecoverable debts	29	(33)
Total charge	6,791	2,822

Summarised Accounts of NHS Trusts in Wales 2011-12

5. Investment revenue	2011-12	2010-11
	£000	£000
Rental revenue :		
PFI finance lease revenue:		
Interest revenue:		
Bank accounts	<u>123</u>	<u>72</u>
Total	<u>123</u>	<u>72</u>

6. Other gains and losses	2011-12	2010-11
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	<u>20</u>	<u>47</u>
Total	<u>20</u>	<u>47</u>

7. Finance costs	2011-12	2010-11
	£000	£000
Interest on obligations under finance leases	<u>452</u>	<u>499</u>
Total interest expense	452	499
Other finance costs	112	111
Total	<u>564</u>	<u>610</u>

8. Operating leases

As lessee

Detailed disclosures are included within the individual NHS trust accounts.

Payments recognised as an expense	2011-12	2010-11
	£000	£000
Minimum lease payments	4,142	4,085
Total	4,142	4,085

Total future minimum lease payments	2011-12	2010-11
	£000	£000
Payable:		
Not later than one year	3,727	3,214
Between one and five years	8,731	8,345
After 5 years	6,176	7,225
Total	18,634	18,784

As lessor

Rental revenue	2011-12	2010-11
	£000	£000
Other	88	175
Total rental revenue	88	175

Total future minimum lease payments	2011-12	2010-11
	£000	£000
Receivable:		
Not later than one year	73	73
Between one and five years	292	292
After 5 years	232	305
Total	597	670

9. Employee costs and numbers

9.1 Employee costs	Permanently Employed	Agency Staff	Staff on Inward Secondment	2011-12	2010-11
				£000	£000
				£000	£000
Salaries and wages	182,101	1,804	4,135	188,040	188,552
Social security costs	14,127	-	46	14,173	13,636
Employer contributions to Pensions Schemes	22,652	-	59	22,711	22,302
Other pension costs	170	-	-	170	165
Total	219,050	1,804	4,240	225,094	224,655
Of the total above:					
Charged to capital				1,110	1,409
Charged to revenue				223,984	223,246
				225,094	224,655

9.2 Average number of employees

	Permanently Employed	Agency Staff	Staff on Inward Secondment	2011-12	2010-11
				Total	Total
				Number	Number Restated
Medical and dental	165	-	25	190	170
Ambulance staff	2,191	-	-	2,191	2,173
Administrative and estates	1,887	35	20	1,942	1,968
Healthcare assistants and other support staff	171	16	-	187	173
Nursing, midwifery and health visiting staff	433	-	1	434	447
Scientific, therapeutic and technical staff	691	3	-	694	646
Other	-	-	-	-	4
Total	5,538	54	46	5,638	5,581

9.3 Employee benefits

One of the three NHS Wales trusts operates a lease car policy and childcare voucher (salary sacrifice) scheme for employees.

10. Pension and Retirement Costs Due to Ill Health

10.1 Pension Costs

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

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be 4 years, with approximate assessments in intervening years".

An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates. The last formal actuarial valuation undertaken for the NHS pension scheme was completed for the year ending 31 March 2004. Consequently a formal actuarial valuation would have been due for year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes have been suspended by HM Treasury on value for money grounds, while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms public service pension provision. Employer and employee contribution rates are currently being determined under the new scheme design.

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation. Actuarial assessments undertaken in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. However, as the interval since the last formal valuation now exceeds four years, the valuation of the scheme liability as at 31 March 2012 is based on detailed membership data as at 31 March 2010 updated to 31 March 2012 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained.

10.1 Pension Costs (continued)

The Scheme is a “final salary” scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as “pension commutation”.

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).

10.2 Retirement costs due to ill-health

During 2011-12 there were 10 (2010-11 12) early retirements from the trusts agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements will be £502k (2010-11 £812k). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

11. Public Sector Payment Policy - Measure of Compliance

11.1 The Late Payment of Commercial Debts (Interest) Act 1998

The NHS trusts had no interest or compensation charges under legislation, in relation to the late payment of commercial debt.

12. Property, plant and equipment :

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport Equipment	Information Technology	Furniture and fittings	Total
Cost or valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2011	19,393	68,117	140	29,600	47,206	42,292	47,928	2,753	257,429
Indexation	-	2,746	5	-	-	-	-	-	2,751
Revaluation	-	480	-	-	1,804	(173)	(168)	(390)	1,553
Additions - purchased	-	1,485	-	13,741	1,780	394	5,222	65	22,687
Reclassifications	-	618	-	(17,827)	7,052	8,258	1,890	9	-
Reclassified as held for sale	-	-	-	-	-	(2,301)	-	-	(2,301)
Disposals other than by sale	-	-	-	-	(2,629)	(9)	(260)	(145)	(3,043)
Impairments	(848)	-	-	(444)	(85)	-	-	-	(1,377)
At 31 March 2012	18,545	73,446	145	25,070	55,128	48,461	54,612	2,292	277,699
Depreciation									
At 1 April 2011	-	16,410	17	-	34,862	24,864	17,368	2,050	95,571
Indexation	-	676	1	-	-	-	-	-	677
Revaluation	-	480	-	-	1,804	(173)	(168)	(390)	1,553
Reclassifications	-	12	-	-	(15)	-	(3)	6	-
Reclassified as held for sale	-	-	-	-	-	(2,280)	-	-	(2,280)
Disposals other than by sale	-	-	-	-	(2,599)	(9)	(260)	(145)	(3,013)
Impairments	-	1,359	-	-	-	-	-	-	1,359
Charged during the year	-	2,188	9	-	3,190	5,913	5,843	214	17,357
At 31 March 2012	-	21,125	27	-	37,242	28,315	22,780	1,735	111,224
Net book value at 1 April 2011	19,393	51,707	123	29,600	12,344	17,428	30,560	703	161,858
Net book value at 31 March 2012	18,545	52,321	118	25,070	17,886	20,146	31,832	557	166,475
Net book value at 31 March 2012 comprises :									
Purchased	18,545	46,125	118	25,070	17,669	20,146	31,832	557	160,062
Donated	-	6,196	-	-	217	-	-	-	6,413
Total 31 March 2012	18,545	52,321	118	25,070	17,886	20,146	31,832	557	166,475
Asset Financing:									
Owned	18,545	51,238	118	25,070	17,683	20,146	21,143	534	154,477
Held on finance lease	-	1,083	-	-	203	-	10,689	23	11,998
Total 31 March 2012	18,545	52,321	118	25,070	17,886	20,146	31,832	557	166,475

The net book value of land, buildings and dwellings at 31 March 2012 comprises :

	£000
Freehold	67,631
Long Leasehold	1,083
Short Leasehold	2,270
	70,984

£1,553k included within revaluation relates to an adjustment to account for the value of second hand assets purchased in 2011/12 and previous years.

12. Property, plant and equipment (continued):

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport Equipment	Information Technology	Furniture and fittings	Total
Cost or valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2010	20,867	67,069	140	21,562	46,171	37,760	33,066	2,481	229,116
Indexation	-	-	-	-	121	1	-	9	131
Additions - purchased	-	527	-	20,866	936	12	6,980	23	29,344
Additions - donated	-	-	-	-	159	-	-	-	159
Transfers from/into other NHS Wales bodies	-	-	-	-	-	-	1,394	263	1,657
Reclassifications	-	521	-	(12,828)	162	5,657	6,488	-	-
Reclassified as held for sale	(175)	-	-	-	-	-	-	-	(175)
Disposals other than by sale	(200)	-	-	-	(343)	(1,138)	-	(23)	(1,704)
Impairments	(1,099)	-	-	-	-	-	-	-	(1,099)
At 31 March 2011	19,393	68,117	140	29,600	47,206	42,292	47,928	2,753	257,429
Depreciation									
At 1 April 2010	-	11,851	9	-	31,155	20,994	12,173	1,617	77,799
Indexation	-	-	-	-	80	1	-	4	85
Transfers from/into other NHS Wales bodies	-	-	-	-	-	-	680	198	878
Disposals other than by sale	-	-	-	-	(343)	(1,082)	-	(23)	(1,448)
Impairments	-	2,391	-	-	-	-	-	-	2,391
Charged during the year	-	2,168	8	-	3,970	4,951	4,515	254	15,866
At 31 March 2011	-	16,410	17	-	34,862	24,864	17,368	2,050	95,571
Net book value at 1 April 2010	20,867	55,218	131	21,562	15,016	16,766	20,893	864	151,317
Net book value at 31 March 2011	19,393	51,707	123	29,600	12,344	17,428	30,560	703	161,858
Net book value at 31 March 2011 comprises :									
Purchased	19,393	45,539	123	29,600	12,032	17,428	30,560	703	155,378
Donated	-	6,168	-	-	312	-	-	-	6,480
Total 31 March 2011	19,393	51,707	123	29,600	12,344	17,428	30,560	703	161,858
Asset Financing:									
Owned	19,393	50,546	123	29,600	12,344	17,428	20,912	693	151,039
Held on finance lease	-	1,161	-	-	-	-	9,648	10	10,819
Total 31 March 2011	19,393	51,707	123	29,600	12,344	17,428	30,560	703	161,858
The net book value of land, buildings and dwellings at 31 March 2011 comprises :									
									£000
Freehold									68,550
Long Leasehold									1,161
Short Leasehold									1,512
									<u>71,223</u>

12.2 Non-current assets held for sale

	Land	Other property plant and equipment	Total
	£000	£000	£000
Balance b/f 1 April 2011	175	-	175
Plus assets classified as held for sale in year	-	21	21
Less assets sold in year	(5)	(21)	(26)
Balance c/f 31 March 2012	170	-	170
Balance b/f 1 April 2010	-	-	-
Plus assets classified as held for sale in year	175	-	175
Balance c/f 31 March 2011	175	-	175

The £170k above relates to two Ambulance Stations that have been identified as surplus to requirements and have received Board approval for disposal.

Disposals are anticipated within the next financial year.

13. Intangible assets

	Computer software purchased	Computer software internally developed	Total
Cost or valuation	£000	£000	£000
At 1 April 2011	21,729	4,015	25,744
Additions			
- purchased	9,059	457	9,516
Disposals other than by sale	(2,982)	-	(2,982)
Gross cost at 31 March 2012	27,806	4,472	32,278
Amortisation			
Accumulated amortisation at 1 April 2011	15,488	971	16,459
Disposals other than by sale	(2,970)	-	(2,970)
Charged during the year	2,704	810	3,514
Accumulated amortisation at 31 March 2012	15,222	1,781	17,003
 Net book value at 1 April 2011	 6,241	 3,044	 9,285
 Net book value at 31 March 2012	 12,584	 2,691	 15,275
 Net book value			
Purchased	12,584	-	12,584
Internally generated	-	2,691	2,691
Total at 31 March 2012	12,584	2,691	15,275

13. Intangible assets (continued)

	Computer software purchased	Computer software internally developed	Develop- ment expenditure internally generated	Total
Cost or valuation	£000	£000	£000	£000
At 1 April 2010	18,438	2,298	690	21,426
- purchased	3,291	1,027	-	4,318
Reclassifications	-	690	(690)	-
Gross cost at 31 March 2011	21,729	4,015	-	25,744
Amortisation				
Accumulated amortisation at 1 April 2010	11,791	391	-	12,182
Charged during the year	3,697	580	-	4,277
2011	15,488	971	-	16,459
 Net book value at 1 April 2010	 6,647	 1,907	 690	 9,244
 Net book value at 31 March 2011	 6,241	 3,044	 -	 9,285
Net book value				
Purchased	6,241	-	-	6,241
Internally Generated	-	3,044	-	3,044
Total at 31 March 2011	6,241	3,044	-	9,285

14. Revaluation reserve balance for intangible assets

The NHS trusts have no revaluation reserve balances for intangible assets.

15. Impairments

Impairments in the period arose from:	2011-12	2010-11
	Property, plant & equipment £000	Property, plant & equipment £000
		Restated
Abandonment of assets in the course of construction	29	-
Unforeseen obsolescence	85	-
Changes in market price	415	-
Other (specify)	2,207	3,490
Total	2,736	3,490
Operating expenses in Statement of Comprehensive Income	2,736	3,490
Impairments charged in the year to the revaluation reserve	-	-

£85k unforeseen obsolescence impairment occurred due to the introduction of digital mammography screening equipment as a result the Trust's analogue mammography screening equipment has become obsolete.

Major building work has been undertaken at Velindre Cancer Centre over the last 3 years to site 2 new Linacs. As part of this exercise the District Valuers Office has reviewed the value of this building work under IFRS Modern equivalent asset Value. As a result of the valuation an impairment of £415k was required.

16. Capital commitments

Commitments under capital expenditure contracts at the Statement of Financial Position sheet date were:

	31 March	31 March
	2012	2011
	£000	£000
Property, plant and equipment	1,988	4,797
Intangible assets	7,682	2,613
Total	9,670	7,410

17. Other financial assets

The NHS trusts have no Other Financial Assets.

18. Other assets

The NHS trusts have no Other Assets.

19. Inventories

19.1 Inventories

	31 March 2012 £000	31 March 2011 £000
Drugs	606	634
Consumables	1,495	1,662
Energy	-	1
Other	896	1,102
Total	2,997	3,399

19.2 Inventories recognised in expenses

The NHS trusts have no inventories recognised in expenses.

20. Trade and other receivables

20.1 Trade and other receivables

	31 March 2012 £000	31 March 2011 £000
Current		
Welsh Government	1,133	8,458
Welsh Health Specialised Services Committee	45	342
Welsh Health Boards	8,794	5,175
Non - Welsh Trusts	677	553
Other NHS	6,415	1,571
Welsh Local Authorities	325	168
Capital Debtors	-	251
Other debtors	5,452	7,436
Provision for impairment of trade receivables	(407)	(370)
Other prepayments and accrued income	4,684	4,114
Sub-total	27,118	27,698
Total trade and other receivables	27,118	27,698

20.2 Receivables past their due date but not impaired

	31 March	31 March
	2012	2011
	£000	£000
By up to 3 months	1,695	1,236
By 3 to 6 months	484	455
By more than 6 months	720	776
Balance at end of financial year/period	2,899	2,467

20.3 Provision for the impairment of receivables

	31 March	31 March
	2012	2011
	£000	£000
Balance at beginning of the year	(370)	(495)
Amount written off during the year	17	103
Amount recovered during the year	12	66
(Increase)/decrease in receivables impaired	(66)	(44)
Balance at 31 March	(407)	(370)

21. Cash and cash equivalents

	31 March	31 March
	2012	2011
	£000	£000
Opening Balance	24,211	11,375
Net change in year	(1,210)	12,836
Closing Balance	23,001	24,211
Made up of:		
Cash with Government Banking Service (GBS)	11,148	10,067
Commercial banks	52	64
Cash in hand	25	30
Current investments	29,100	15,000
Cash and cash equivalents as in Statement of Financial Position	40,325	25,161
Bank overdraft - GBS	(2,024)	(793)
Bank overdraft - Commercial	-	(157)
Cash & cash equivalents as in Statement of Cash Flows	38,301	24,211

The current investments are deposits in the Government National Loans Fund.

22. Trade and other payables

22.1 Trade and other payables at the

Statement of Financial Position date consist of:

	31 March 2012 £000	31 March 2011 £000
Current		
Welsh Government	10,972	3,285
Welsh Health Specialised Services Committee	212	340
Welsh Health Boards	4,535	2,896
Other NHS	5,040	9,496
Welsh Local Authorities	126	229
Other Local Authorities	-	6
Income tax and social security	1,753	2,242
Non-NHS trade payables - revenue	6,596	5,873
Non-NHS trade payables - capital	12,359	9,640
Rentals due under operating leases	106	137
Pensions: staff	1,275	1,368
Accruals	7,508	9,282
Deferred Income	1,173	1,032
Other liabilities - all other payables	816	876
Sub-total	<u>52,471</u>	<u>46,702</u>
Total	<u>52,471</u>	<u>46,702</u>

Summarised Accounts of NHS Trusts in Wales 2011-12

23. Borrowings

Current	31 March	31 March
	2012	2011
	£000	£000
Bank overdraft - GBS	2,024	-
Finance lease liabilities	1,587	1,448
Total	3,611	1,448
Non-current		
Bank overdraft - GBS	-	793
Bank overdraft - Commercial bank	-	157
Finance lease liabilities	9,488	10,862
Total	9,488	11,812

23.2 Loan advance/strategic assistance funding

The NHS trusts have not received any loan advance or strategic funding from the Welsh Government.

Summarised Accounts of NHS Trusts in Wales 2011-12

24. Other financial liabilities

	31 March 2012 £000	31 March 2011 £000
Current		
Financial liabilities carried at fair value through the income statement.	450	-
Non-current		
Financial liabilities carried at fair value through the income statement.	1,663	-

25. Other liabilities

	31 March 2012 £000	31 March 2011 £000
Current		
Lease incentives	<u>2</u>	<u>2</u>
	<u>2</u>	<u>2</u>
Non-current		
Lease incentives	<u>-</u>	<u>2</u>
	<u>-</u>	<u>2</u>

Summarised Accounts of NHS Trusts in Wales 2011-12

26. Provisions

	At 1 April 2011	Transfer of provisions between Current and Non Current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2012
	£000	£000	£000	£000	£000	£000	£000
Current							
Clinical negligence	1,003	-	6,218	(445)	(1,132)	-	5,644
Personal injury	1,165	1	1,845	(846)	(609)	108	1,664
All other losses and special payments	16	-	237	(145)	(108)	-	-
Defence legal fees and other administration	185	-	311	(79)	(118)		299
Pensions relating to: other staff	40	18	21	(42)	-	4	41
Other	1,270	-	95	(644)	-		721
Total	3,679	19	8,727	(2,201)	(1,967)	112	8,369
Non Current							
Personal injury	5,765	(1)	135	-	(17)	-	5,882
Pensions relating to: other staff	333	(18)	-	-	(6)	-	309
Other	106	-	11	-	-		117
Total	6,204	(19)	146	-	(23)	-	6,308
TOTAL							
Clinical negligence	1,003	-	6,218	(445)	(1,132)	-	5,644
Personal injury	6,930	-	1,980	(846)	(626)	108	7,546
All other losses and special payments	16	-	237	(145)	(108)	-	-
Defence legal fees and other administration	185	-	311	(79)	(118)		299
Pensions relating to: other staff	373	-	21	(42)	(6)	4	350
Other	1,376	-	106	(644)	-		838
Total	9,883	-	8,873	(2,201)	(1,990)	112	14,677

Expected timing of cash flows:

	In remainder of spending review 31 Mar 2015	Between 1 Apr 2015 to 31 March 2020	Thereafter	Total
Clinical negligence	5,644	-	-	5,644
Personal injury	2,535	1,755	3,256	7,546
Defence legal fees and other administration	299	-	-	299
Pensions - other staff	121	153	76	350
Other	721	-	117	838
Total	9,320	1,908	3,449	14,677

Included within "Other" Provisions are:-

- £117k costs of decommissioning of Cesium sources.
- £626k the provision of unpaid annual leave entitlement to staff in respect of frozen holiday leave entitlement the whole of this provision is included within 1 year as it could be paid out at any time).
- £95k which relates to the provision in respect of an obligation as a tenant for building dilapidations (the cost of undertaking all work necessary to bring the building up to the required standard).

26. Provisions

	At 1 April 2010	Transfer of provisions between Current and Non Current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2011
	£000	£000	£000	£000	£000	£000	£000
Current							
Clinical negligence	542	-	829	(272)	(96)	-	1,003
Personal injury	1,184	87	1,758	(1,445)	(526)	107	1,165
All other losses and special payments	11	-	431	(373)	(53)	-	16
Defence legal fees and other administration	214	-	209	(114)	(124)		185
Pensions relating to: other staff	39	14	24	(41)	-	4	40
Other	1,404	(237)	1,058	(947)	(8)		1,270
Total	3,394	(136)	4,309	(3,192)	(807)	111	3,679
Non Current							
Personal injury	4,603	735	427	-	-	-	5,765
Pensions relating to: other staff	353	(14)	(6)	-	-	-	333
Other	691	(585)	-	-	-		106
Total	5,647	136	421	-	-	-	6,204
TOTAL							
Clinical negligence	542	-	829	(272)	(96)	-	1,003
Personal injury	5,787	822	2,185	(1,445)	(526)	107	6,930
All other losses and special payments	11	-	431	(373)	(53)	-	16
Defence legal fees and other administration	214	-	209	(114)	(124)		185
Pensions relating to: other staff	392	-	18	(41)	-	4	373
Other	2,095	(822)	1,058	(947)	(8)		1,376
Total	9,041	-	4,730	(3,192)	(807)	111	9,883

Included within "Other" Provisions are:-

- £106k of decommissioning of Cesium sources.
- £712k provision of unpaid annual leave entitlement to staff in respect of frozen holiday leave entitlement (the whole of this provision is included within 1 year as it could be paid out at any time).
- £558k Annex U entitlement, in respect of trainees Agenda for Change arrears, which was agreed in 2010/11 (the whole of this provision is included within 1 year as it could be paid out at any time).

Summarised Accounts of NHS Trusts in Wales 2011-12

27. Finance lease obligations (as lessee)

Amounts payable under finance leases:

LAND

The NHS trusts have no amounts payable under finance leases relating to land.

BUILDINGS	31 March	31 March
	2012	2011
	£000	£000
Minimum lease payments		
Within one year	391	391
Between one and five years	98	489
Less finance charges allocated to future periods	(48)	(105)
Minimum lease payments	<u>441</u>	<u>775</u>
Included in:		
Current borrowings	374	352
Non-current borrowings	<u>67</u>	<u>423</u>
	<u>441</u>	<u>775</u>
Present value of minimum lease payments		
Within one year	374	352
Between one and five years	67	423
Present value of minimum lease payments	<u>441</u>	<u>775</u>
Included in:		
Current borrowings	374	352
Non-current borrowings	<u>67</u>	<u>423</u>
	<u>441</u>	<u>775</u>
OTHER	31 March	31 March
	2012	2011
	£000	£000
Minimum lease payments		
Within one year	2,182	1,497
Between one and five years	8,332	6,272
After five years	4,105	5,744
Less finance charges allocated to future periods	(1,584)	(1,977)
Minimum lease payments	<u>13,035</u>	<u>11,536</u>
Included in:		
Current borrowings	1,213	1,097
Non-current borrowings	<u>9,421</u>	<u>10,439</u>
	<u>10,634</u>	<u>11,536</u>
Present value of minimum lease payments		
Within one year	1,663	1,097
Between one and five years	7,179	5,074
After five years	3,905	5,365
Present value of minimum lease payments	<u>12,747</u>	<u>11,536</u>
Included in:		
Current borrowings	1,663	1,097
Non-current borrowings	<u>11,084</u>	<u>10,439</u>
	<u>12,747</u>	<u>11,536</u>

27.2 Finance lease receivables (as lessor)

The NHS trusts have no finance lease receivables as lessor.

27.3 Finance Lease Rental Revenue

The NHS trusts have no finance lease rental revenue.

28. Finance lease commitments

The NHS trusts have not entered into any new contracts to lease (building assets) under finance leases during 2011-12.

29. Private finance transactions

Private Finance Initiatives (PFI) / Public Private Partnerships (PPP)

The NHS trusts have no PFI or PPP schemes deemed to be on or off the Statement of Financial Position.

30. Financial risk

IFRS 7, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationships that the NHS trusts have previously had with health authorities and Health Commission Wales and now with Welsh Health Specialised Services Committee and local health boards, and the way those health bodies are financed, NHS trusts are not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. NHS trusts have limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities rather than being held to change the risks facing NHS trusts in undertaking its activities.

The NHS trusts' treasury management operations are carried out by the finance department within parameters defined formally within the NHS trusts' standing financial instructions and policies agreed by the board of directors. NHS trust treasury activity is subject to review by the NHS trusts' internal auditors.

Liquidity risk

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

Interest-rate risks

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

Foreign currency risk

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

Credit Risk

Because the majority of the trusts' income comes from contracts with other public sector bodies, the trusts have low exposure to credit risk. The maximum exposures are in receivables from customers as disclosed in the Trade and other receivables note.

General

The powers of the NHS trusts to invest and borrow are limited. The Boards have determined that in order to maximise income from cash balances held, any balance of cash which is not required will be invested. The trusts do not borrow from the private sector. All other financial instruments are held for the sole purpose of managing the cash flow of the trusts on a day to day basis or arise from the operating activities of the trusts. The management of risks around these financial instruments therefore relates primarily to the trusts' overall arrangements for managing risks to their financial position, rather than the trusts' treasury management procedures.

31. Contingencies

31.1 Contingent liabilities

	31 March 2012	31 March 2011
	£000	£000
Provision has not been made in these accounts for the following amounts:		
Legal claims for alleged medical or employer negligence	5,772	9,760
Total value of disputed claims	5,772	9,760
Amount recovered under insurance arrangements in the event of these claims being successful	(4,813)	(8,937)
Net contingent liability	<u>959</u>	<u>823</u>

Other litigation claims could arise in the future due to known incidents. The expenditure which may arise from such claims cannot be determined and no provision has been made for them. Legal claims are provided in the accounts on the basis of settlement probability assessed by the Trusts' independent legal advisors. The amount disclosed in respect of contingent liabilities relates to outstanding cases with a probability of settlement that has been classified as either 'possible' or 'remote'.

In respect of ongoing equal pay claims, indications are that settlement negotiations are being entered into by the Trusts' legal representatives. This does not commit the Trusts to resolving the claims and if reasonable terms cannot be agreed the Trusts will be able to withdraw from discussions and proceedings recommenced.

Liability for Permanent Injury Benefit under the NHS Injury Benefit Scheme lies with the employer. Individual claims to the NHS Pensions Agency could arise due to known incidents.

A construction contract for the delivery of additional radiotherapy capacity has been recently completed following a significant delay, the impact of which is not yet clear.

31.2 Contingent assets

The NHS trusts have no contingent assets.

32. Third party assets

The NHS trusts have no third party assets.

33. Events after reporting period

At 1 June 2012 Velindre NHS Trust will become host for NHS Wales Shared Services. In accordance with the FReM, the transfer of functions will be treated as a merger, and all transactions and balances related to those functions will be shown in future years in Velindre NHS Trust's financial statements.

34. Related Party Transactions

The Welsh Government, local health boards and NHS trusts are regarded as related parties. During the year, the trusts' had a significant number of material transactions with the Welsh Government and with other NHS bodies.

All trusts disclosed other related party transactions, predominantly Local Authorities. Further details of transactions are given in the individual trust accounts.

35. Losses and special payments

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

Gross loss to the Exchequer

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

	Amounts paid out during year to 31 March 2012		Approved to write-off year to 31 March 2012	
	Number	£	Number	£
Clinical negligence	9	445,406	3	196,604
Personal injury	109	808,034	36	650,888
All other losses and special payments	128	145,049	17	18,112
Total	246	1,398,489	56	865,604

	No of cases	Amounts paid out in year £ 2011-12	Cumulative amount £ 2011-12	Approved to write-off in year £ 2011-12
Cases paid in 2011-12 where the cumulative sum exceeded £250,000 are as follows:				
Clinical Negligence	3	-	1,652,930	-
Personal Injury	2	-	3,104,401	-
Sub-total	5	-	4,757,331	-
All other losses and payments		1,398,489	5,529,237	865,604
Total		1,398,489	10,286,568	865,604

**THE NATIONAL HEALTH SERVICE – NHS TRUSTS IN WALES
SUMMARISED ACCOUNTS DIRECTION GIVEN BY HM TREASURY IN ACCORDANCE WITH
SECTION 178, SCHEDULE 9, PARA 5(4) OF THE NATIONAL HEALTH SERVICES (WALES) ACT 2006**

1. HM Treasury directs that an account, summarised by consolidation, of the NHS Trusts in Wales shall be prepared in respect of the financial year ended 31 March 2012, 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 summarised 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. the accounting and disclosure requirements of the Companies Act 2006;
- b. all relevant EU adopted International Financial Reporting Standards and interpretations, 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;
- c. all relevant guidance given in the NHS Trust Accounts (Wales) – Manual for accounts;
- d. the historical cost convention modified by the inclusion of non-current 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 summarised account of NHS Trusts shall be prepared so as to:

- a) give a true and fair view of the state of affairs as at 31 March 2012, and subsequent financial year-ends, and of the Statement of Comprehensive Net Income, Statement of Changes in Taxpayers’ Equity and Statement of Cash Flows for the financial year then ended; and
- b) provide disclosure of any material expenditure or income that has not been applied for the purposes intended by the National Assembly for Wales or material transactions that have not conformed to the authorities that govern them.

5. The Foreword, Governance Statement and Statement of Financial Position shall be signed by the Accounting Officer and dated.

6. Compliance with the reporting requirements set out in paragraph 3 a-d above will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with these reporting requirements is inconsistent with the requirement to give a true and fair view, the requirements set out in paragraph 3 a-d above should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgement should be used to devise an appropriate alternative treatment that should be consistent with both the economic characteristics of the circumstances concerned and the spirit of the reporting requirements. Any material departure from the requirements set out in paragraph 3 a-d should be discussed in the first instance with the Welsh Assembly Government.

7. This direction supersedes all previous directions.

Chris Wobschall
Deputy Director, Assurance and Financial Reporting Policy
HM Treasury
29 May 2012

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 Trusts 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 Trusts shall be contained in the foreword.
Accounting Standards
3. NHS Trusts are not required to include a note showing the historical cost profits and losses.

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 178, Schedule 9, Para 5 (2) of the NHS (Wales) Act 2006.
2. The foreword shall also contain a description of the statutory background and main functions of the NHS Trusts to which it relates together with a fair review of their operational and financial activities, and a summary of their performance against targets.