

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 2018

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

NHS (Wales) Summarised Accounts 2017-18

Welsh Government

NHS Wales Summarised Accounts 2017-18

FOREWORD

Introduction

1. The Welsh Ministers are required to prepare Summarised Accounts from the individual accounts of NHS Wales organisations. The annual accounts of all NHS Wales organisations have been audited and these Summarised Accounts are based on those audited figures.
2. The Summarised Accounts of the local health boards and NHS trusts have been prepared to comply with the Accounts Direction given by HM Treasury in accordance with Section 178, Schedule 9, Para 5(2) of the National Health Service (NHS) Wales Act 2006 (the Act).
3. The Auditor General for Wales is required to examine, certify and report on the Summarised Accounts (Section 178, Schedule 9 para 5(6) of the Act).
4. These accounts supplement the details of expenditure on healthcare contained within the consolidated resource accounts of the Welsh Government for 2017-18 which include the results of the local health boards.
5. The chief executives of the individual NHS organisations in Wales have a duty to their respective boards and, as the Accountable Officers for those organisations, to me as Additional Accounting Officer.
6. In my capacity as Additional Accounting Officer, I have financial responsibility for health service expenditure. Accordingly, I have signed the Summarised Accounts of the local health boards (LHBs) and of the NHS trusts.

Summarised Accounts

7. The Summarised Accounts of the LHBs and NHS trusts have been prepared in compliance with the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FRM) issued by HM Treasury as applied to the NHS in Wales, as applicable to a Summarised Account and specifically excluding a Statement of Parliamentary Supply. Two Summarised Accounts for NHS Wales have been prepared, one for the seven local health boards and one for the three NHS trusts.
8. The Summarised Accounts of the LHBs and NHS Trusts do not include Health Education and Improvement Wales (HEIW). HEIW was established as a Special Health Authority under the Act on the 5th October 2017. HEIW will prepare statutory accounts for its first period of account for 5th October 2017 to 31st March 2019.

Local Health Boards

9. Local health boards were established under section 11 and Schedule 2 of the National Health Service (Wales) Act 2006.
10. The seven Local Health Boards (LHBs) in Wales plan, secure and deliver healthcare services in their areas :
 - Abertawe Bro Morgannwg University Health Board
 - Aneurin Bevan University Health Board
 - Betsi Cadwaladr University Health Board
 - Cardiff & Vale University Health Board
 - Cwm Taf University Health Board
 - Hywel Dda University Health Board
 - Powys Teaching Health Board

NHS Trusts

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

Performance against statutory and administrative financial duties

13. Welsh Health Circular (2016) 054 clarifies the statutory financial duties of local health boards and NHS trusts in Wales further to the NHS Finance (Wales) Act 2014, and is effective from 2016-17 financial year, replacing Welsh Health Circular 2015 (014). [WHC \(2016\) 054](#)
14. Section 175 6A of the NHS (Wales) Act 2006 requires the Welsh Ministers to report in relation to each three year accounting period, to the National Assembly for Wales before the end of the financial year following that period on whether each Local Health Board has complied with the first financial duty. The Local Health Board Statutory Financial Duties commentary below, contained within these NHS Summarised Accounts, is laid before the National Assembly for Wales and accordingly discharges this duty.

Local Health Board Performance - Statutory Financial Duties

15. For LHBs, the first financial duty is to ensure, in a rolling 3 year period, that its aggregate expenditure does not exceed its aggregate approved resource limit, including any other sums received.

The first assessment of the rolling 3 year duty took place at the end of 2016-17.

16. The second financial duty – to prepare an Integrated Medium Term Plan to secure compliance with the first financial duty, and for the plan to be approved by the Welsh Ministers - was effective from the 2014-15 financial year and is assessed annually. Failure to comply with the planning duty, including not submitting a plan and not having the plan approved by the Minister, is a breach of this second statutory financial duty. The plan is required to be approved prior to the Accountable Officer signing of the financial statements for the first year of each three-year plan. In practice the Minister seeks to confirm approval of plans by the 30th June in the first year of the plan. Performance against this second financial duty, including any breach of this duty, is reported in the Annual Accounts of the local health boards each year, including the Annual Governance Statement.
17. In 2017-18, three LHBs (Aneurin Bevan, Cwm Taf and Powys) incurred expenditure within revenue resource allocations over the rolling 3 year assessment and met their first financial duty.
18. Four LHBs failed to achieve financial balance; that is to manage aggregate expenditure within aggregate revenue resource allocations over the rolling 3 year assessment and therefore failed to meet the first financial duty (Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda).
19. All LHBs kept expenditure within capital resource allocations.
20. The Welsh Government has provided cash support to all boards in deficit to enable them to meet their normal cash commitments including payroll expenditure. This cash assistance is repayable in future financial years when appropriate and improved Integrated Medium Term plans are developed and approved. At 31 March 2018 the amounts repayable by LHB are;

- Abertawe Bro Morgannwg	£55.292m
- Betsi Cadwaladr	£75.730m
- Cardiff & Vale	£45.524m
- Hywel Dda	£129.664m
21. Three LHBs (Aneurin Bevan, Cwm Taf and Powys) met their statutory duty to submit an integrated three year plan for the period 2017-18 to 2019-20 which was approved by the Cabinet Secretary for Health & Social Services.
22. Four LHBs (Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda) were unable to develop approvable three year plans for the period 2017-18 to 2019-20 for approval by the Minister and therefore did not meet their second financial duty.
23. Four LHBs (Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda) received qualified regularity audit opinions and a substantive narrative report placed upon their accounts, as a consequence of their failure to achieve their first financial duty. The substantive narrative reports also cover the failure of the four local health boards to achieve their second financial duty in relation to approved Integrated Medium Term Plans.

24. Three LHBs (Aneurin Bevan, Cwm Taf and Powys) have submitted three year plans covering the period 2018-19 to 2020-21, which have been approved by the Cabinet Secretary for Health & Social Services.
25. Four LHBs (Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda) have been unable to submit approvable three year plans covering the period 2018-19 to 2020-21 and are instead preparing annual operating plans. Further comment on the progress of LHBs integrated three year plans is set out in the NHS Summarised Accounts Annual Governance Statement.
26. At the end of March 2018, one LHB (Betsi Cadwaladr) remained in special measures and three LHBs (Abertawe Bro Morgannwg, Cardiff & Vale and Hywel Dda) remained in targeted intervention in accordance with the Welsh Government escalation arrangements. Further comment on the monitoring and escalation arrangements for LHBs is set out in the NHS Summarised Accounts Annual Governance Statement.
27. The details of the LHBs first and second financial duty compliance, surpluses and deficits are set out in Annex 1 to this Foreword.

NHS Trust Performance - Statutory Financial Duties

28. For NHS trusts the first financial duty is to ensure over a rolling three year period that expenditure is covered by income. No NHS trust breached their first financial duty for the rolling three year period to 2017-18. During 2017-18, all three trusts achieved operating surpluses.
29. All three NHS trusts met the second financial duty for 2017-18 to submit an integrated three year plan for the period 2017-18 to 2019-20 which was approved by the Cabinet Secretary for Health & Social Services.
30. All three trusts received unqualified true and fair and regularity audit opinions from the Auditor General for Wales for 2017-18.
31. All three NHS trusts have submitted three year plans for 2018-19 to 2020-21 which have been approved by the Cabinet Secretary for Health & Social Services. Further comment on the progress of NHS trusts integrated three year plans is set out in the NHS Summarised Accounts Annual Governance Statement.
32. The details of the NHS trusts first and second financial duty compliance, surpluses and deficits are set out in Annex 2 to this Foreword.

External financing limit

33. As part of the process of controlling public expenditure, the Welsh Government sets an external financing limit for each NHS trust. The calculation of each limit determines the maximum amount a trust can receive from external sources, normally the Welsh

Government, to finance capital expenditure. Trusts must submit detailed cash flow statements to the Welsh Government in order to receive authorisation to draw down public dividend capital. This target is not applicable to LHBs.

34. In 2017-18, the overall external financing limit for NHS trusts was (£4.002) million and each of the trusts in Wales stayed within their individual external financing limits. Performance against this duty for each NHS trust is set out in Annex 3 to this Foreword.

Prompt Payment Performance

35. LHBs 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 95% of non NHS creditors within 30 days of receipt of goods or a valid invoice (whichever is the later) unless other payment terms have been agreed with the supplier.
36. The performance of each LHB 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 3 to this Foreword.
37. The number of non NHS invoices paid within 30 days ranged from 92.2% to 98.1% for NHS bodies, with an average for the year of 94.5% for LHBs and 96.6% for NHS trusts (2016-17 94.2% and 96.0%). Full details are contained within the statutory accounts of the NHS organisations.

Statement of Financial Position Issues

Clinical Negligence Provisions

38. At 31st March 2018, known actual and anticipated liabilities for clinical negligence totalled £8.441million (2016-17 £5.860 million) in NHS trusts and a further £657.160 million (2016-17 £521.816 million) in LHBs. These provisions are calculated on the basis of claims against the organisations, where it is assessed that there is a probable chance of the claim being settled.
39. Excluded from the provisions calculations included within the Summarised Accounts is a further estimated £834.724 million (2016-17 £871.658 million) for disputed claims for alleged medical or employer negligence. These are disclosed in the notes to the accounts as contingent liabilities, as the likelihood of settlement is assessed as possible, rather than probable.
40. The figures at paragraph 38 and 39 reflect the gross liability for claims against the NHS trusts and LHBs before considering amounts recoverable from the Welsh Risk pool (WRP). LHB and NHS trusts in Wales are able (subject to managing claims in accordance with Putting Things Right guidance) to recover the costs of clinical negligence claims above £25,000 from the WRP.

Welsh Risk Pool (WRP)

41. The Welsh Risk Pool (WRP) was established to assist all Welsh NHS organisations with risk management and settlement of claims. The WRP is a mutual self-insurance arrangement covering all risks associated with NHS activities above a £25,000 threshold, with the exception of business interruption and motor insurance.
42. The Pool is managed by NHS Wales Shared Services Partnership (NWSSP), hosted by Velindre NHS Trust. The reimbursement of claims by the Pool is managed by the Welsh Risk Pool Committee comprising representatives from NHS trusts, local health boards and the Welsh Government.
43. Velindre NHS Trust's liability is limited to the funds available in the Pool. The ultimate liability to meet claims rests jointly with the members of the Pool for claims less than £25,000 and with the members of the pool for claims settlements exceeding the funding to the Pool by NHS Wales.
44. The NHS trust summarised account includes the WRP activities within the Velindre NHS Trust activities (amended for NHS Trust interparty trading elimination), as part of the hosted NWSSP. The Welsh Risk Pool provision is disclosed separately for clarity at note 22.3 of the NHS trusts summarised account. This amounted to £1,063m at 31st March 2018 (2016-17 £866.860m). The provision includes Structured Settlement liabilities – where claim settlements are to be paid over a future period in regular payments, usually annually, rather than by a lump sum of £369.466m (2016-17 £320.589m).
45. As the Welsh Government must meet the liabilities of the Welsh Risk Pool should the NHS bodies cease to exist, the NHS trust summarised account note 17 includes current and non-current receivables with the Welsh Government in respect of Welsh Risk Pool liabilities. The Welsh Government's Core Resource Accounts reflect the Welsh Risk Pool liabilities at 31 March 2018 as a provision.
46. The provision continues to see a substantial increase in 2017-18 of £196.353 million (2016-17 £184.750 million). The increasing value year on year is not reflective of an increasing volume of claims. After an initial claim volume increase further to legal reforms in 2013-14, the volume of open cases being managed by the Welsh Risk Pool has been steadily declining, with the volume of cases opened annually in the last five years dropping from 1,168 (2013-14) to 854 (2017-18).
47. The provision increase is driven by factors affecting the cost of claims. As noted in the 2016-17 NHS Summarised Accounts, the change to the personal injury discount rate announced by the Lord Chancellor on 27th February 2017 had a substantial impact upon the valuation of liabilities and continues to do so in 2017-18 – most notably for claims with damages estimated to exceed £1million.
48. Detailed claim composition analysis over the last five years has shown a shift in the profile of claims, with the proportion of claims valued at above £100,000 increasing by 7%, and the proportion of claims valued at above £1million

increasing by 5%. A recent National Audit Office report on rising clinical negligence claims in England identified factors increasing damages awarded related primarily to increased life expectancy, increased costs of care and cost inflation. Independent advice to the Welsh Government has also noted the following factors affecting the cost of clinical claims – an ageing population; technological innovations in medicine which keep people alive longer; an increase in people living with complex conditions and an increasing claims culture.

49. Putting Things Right (PTR) is the NHS Wales process for raising concerns about care and treatment so that the NHS body can look into what may have gone wrong and try to make it better. Research shows that high reporting is a positive indicator of an open and supportive patient safety culture where the reporting of serious incidents enables full investigations of every case for continuous learning and improvement in the quality of services provided. NHS organisations in Wales are supported by 1000 Lives Improvement, which is part of Public Health Wales. The team leads national work on a range of quality improvement initiatives including healthcare associated infections, sepsis and surgical complications.
50. During the year, the WRP made payments of £80.685 million (2016-17: £55.986 million) in relation to claims. Of this £77.121 million related to clinical negligence claims and £3.376 million related to personal injury claims (2015-16 £54.120 million and £1.782 million respectively).

Sustainability Reporting

51. Subsequent to the HMT Simplifying and Streamlining Accounts Project, there is no requirement in the Government Financial Reporting Manual (FReM) for public sector bodies to produce a standalone Sustainability Report, although entities may choose to include one should they so wish. Mandatory reporting requirements are retained against the high level indicators under the Greening Government Commitments, in addition to performance against financial and non-financial reporting areas.
52. Guidance issued by HMT on Sustainability Reporting is not applicable to the devolved government of Wales, however Wales is unique in the UK in having sustainable development as its central organising principle. Sustainability reporting is an essential part of organisational governance in the public sector in Wales and the Welsh Government's aim is to enable integrated reporting.
53. The local health boards and NHS trusts in Wales are required therefore to include the mandatory sustainability reporting requirements within the Performance Report section of the Annual Report and Accounts, (due for publication no later than 31st July 2018) and provide a summary of performance in accordance with guidance issued in the NHS Manual for Accounts. The option to produce a standalone report within the Performance Report is retained in Wales.

Annual Quality Statement

54. In line with the expectations set out in *Together for Health* for absolute transparency on performance, action 10 of the Quality Delivery Plan for the NHS in Wales requires all NHS organisations to publish an Annual Quality Statement as part of the NHS organisations' annual reports.
55. The Annual Quality Statement will bring together each year, a summary highlighting how the organisation is striving to continuously improve the quality of all the services it provides and commissions in order to drive both improvements in population health and the quality and safety of healthcare services.
56. In 2017-18 the Annual Quality Statement for individual health boards and NHS trusts should be published no later than 31st July 2018.

Events after the Reporting Period

57. There were no events after the reporting period to report.



Dr Andrew Goodall
Director General, Health
Chief Executive NHS Wales
Health and Social Services Group
29 June 2018

Annex 1 Local Health Board Financial Duties

First Financial Duty - Revenue Resource Limit	Underspend / (overspend) against revenue resource allocation limit			Three year total
	2015-16	2016-17	2017-18	
	£000	£000	£000	£000
Abertawe Bro Morgannwg University Local Health Board	86	(39,316)	(32,417)	(71,647)
Aneurin Bevan University Local Health Board	214	49	246	509
Betsi Cadwaladr University Local Health Board	(19,525)	(29,784)	(38,838)	(88,147)
Cardiff and Vale University Local Health Board	68	(29,243)	(26,853)	(56,028)
Cwm Taf University Local Health Board	22	18	23	63
Hywel Dda University Local Health Board	(31,199)	(49,613)	(69,430)	(150,242)
Powys Teaching Local Health Board	40	85	96	221
All local health boards	(50,294)	(147,804)	(167,173)	(365,271)
Number of local health boards operating within resource allocation	5	3	3	3
Percentage of local health boards operating within resource allocation	71%	43%	43%	43%

First Financial Duty - Capital Resource Limit	Underspend / (overspend) against capital resource allocation limit			Three year total
	2015-16	2016-17	2017-18	
	£000	£000	£000	£000
Abertawe Bro Morgannwg University Local Health Board	37	94	42	173
Aneurin Bevan University Local Health Board	89	42	78	209
Betsi Cadwaladr University Local Health Board	3	29	2	34
Cardiff and Vale University Local Health Board	60	78	88	226
Cwm Taf University Local Health Board	8	5	8	21
Hywel Dda University Local Health Board	28	30	38	96
Powys Teaching Local Health Board	2	17	5	24
All local health boards	227	295	261	783
Number of local health boards operating within resource allocation	7	7	7	7
Percentage of local health boards operating within resource allocation	100%	100%	100%	100%

Annex 1 (continued) Local Health Board Financial Duties

Second Financial Duty - Approved Integrated Medium Term Plan	Integrated Medium Term Plan
Abertawe Bro Morgannwg University Local Health Board	×
Aneurin Bevan University Local Health Board	✓
Betsi Cadwaladr University Local Health Board	×
Cardiff and Vale University Local Health Board	×
Cwm Taf University Local Health Board	✓
Hywel Dda University Local Health Board	×
Powys Teaching Local Health Board	✓
 Number of local health boards operating with approved IMTP	 3
 Percentage of local health boards operating with approved IMTP	 43%

The Second Financial Duty is an annual duty.

The test of duty for 2017/18 relates to IMTPs for 2017/18 to 2019/20.

Annex 2 NHS Trust Financial Duties

First Financial Duty Break Even Duty	Surplus / deficit against break- even			Three year duty £000
	2015-16 £000	2016-17 £000	2017-18 £000	
Retained Surplus				
Public Health Wales Trust	17	16	28	61
Velindre NHS Trust	136	427	54	617
Welsh Ambulance Services NHS Trust	49	44	70	163
Adjusted Surplus				
Public Health Wales Trust	17	16	28	61
Velindre NHS Trust	40	35	49	124
Welsh Ambulance Services NHS Trust	49	44	70	163
All NHS trusts	106	95	147	348
Number of NHS trusts operating within Break-even	3	3	3	3
Percentage of NHS trusts operating within Break-even	100%	100%	100%	100%

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

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

Second Financial Duty Approved	Integrated Medium Term Plan
Public Health Wales Trust	✓
Velindre NHS Trust	✓
Welsh Ambulance Services NHS Trust	✓
Number of NHS trusts operating with approved IMTP	3
Percentage of NHS trusts operating with approved IMTP	100%

Annex 3 Local Health Board and NHS Trust Administrative Duties

Public Sector Payment Policy Performance (PSPP)

The NHS organisations are required to pay 95% of the number of non-NHS bills within 30 days of receipt of goods or a valid invoice (whichever is the later).

Local Health Board

	% of Non NHS bills paid within 30 days (by value and number)			
	Value of bills	Number of bills	Value of bills	Number of bills
	2016-17	2016-17	2017-18	2017-18
	%	%	%	%
Abertawe Bro Morgannwg University Local Health Board	94.7	96.1	93.2	94.0
Aneurin Bevan University Local Health Board	97.8	96.4	97.0	96.8
Betsi Cadwaladr University Local Health Board	98.2	96.5	97.4	94.0
Cardiff and Vale University Local Health Board	94.7	94.0	94.6	92.2
Cwm Taf University Local Health Board	91.3	89.4	96.4	95.4
Hywel Dda University Local Health Board	90.5	89.1	96.7	96.0
Powys Teaching Local Health Board	90.4	93.6	87.1	94.5
All local health boards	95.0	94.2	95.7	94.5
Number of LHBs operating within PSPP target \geq 95%		3		3
Percentage of LHBs operating within PSPP \geq 95%		43%		43%

NHS Trust

	% of Non NHS bills paid within 30 days (by value and number)			
	Value of bills	Number of bills	Value of bills	Number of bills
	2016-17	2016-17	2017-18	2017-18
	%	%	%	%
Public Health Wales Trust	95.1	96.0	95.9	95.6
Velindre NHS Trust	96.0	94.4	98.4	96.0
Welsh Ambulance Services NHS Trust	99.4	99.0	98.4	98.1
All NHS trusts	96.6	96.0	98.1	96.6
Number of NHS trusts operating within PSPP \geq 95%		2		3
Percentage of NHS trusts operating within PSPP \geq 95%		67%		100%

NHS Trust External Finance Limit Performance (EFL)

	External Finance Limit 2017-18
Public Health Wales Trust	✓
Velindre NHS Trust	✓
Welsh Ambulance Services NHS Trust	✓
Number of NHS trusts operating within EFL limit	3
Percentage of NHS trusts operating within EFL limit	100%

NHS WALES SUMMARISED ACCOUNTS OF THE LOCAL HEALTH BOARDS AND NHS TRUSTS

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

The Summarised Accounts governance framework

7. Matters relating to the governance of the preparation and audit of the Summarised Accounts are considered by the Health and Social Services Audit and Risk Committee. The Committee met on three occasions in the 2017-18 financial year.

8. During 2017-18, the Committee considered the following matters relating to the Summarised Accounts:
 - HSSG Risk Register.
 - 2016-17 Wales Audit Office - Audit of Financial Statements Report
 - 2017-18 Wales Audit Office - NHS Summarised Accounts Audit Plan
9. The work of the Committee provides me with support and assurance on the adequacy of governance arrangements for the Summarised Accounts. I am satisfied that the Committee operates in an effective manner and provides good support in the monitoring of risk, control and governance processes as it affects the Summarised Accounts.
10. The Summarised Account governance framework has been in place for the year ended 31 March 2018 and up to the date of approval of the accounts and accords with Treasury guidance, including the relevant aspects of the *Corporate Governance in Central Government Departments; Code of Good Practice* to the extent that this is deemed relevant and practical.

Risk Management

11. Risks arise to the preparation of the Summarised Accounts from the underlying LHB and NHS Trust statutory accounts processes, and the Summarised Account preparation process.
12. Preparation and publication of the Summarised Accounts is managed within the HSSG risk management framework, which in turn is part of the Welsh Government risk and control framework. Further details are set out in the Annual Governance Statement for the Welsh Government Consolidated Resource Account, which is laid separately before the National Assembly for Wales. The Director of Finance, HSSG, is responsible on a day-to-day basis for managing risk, ensuring that the activities necessary for the production of the Summarised Accounts are properly planned, resourced and performed.
13. In 2017-18 no risks in relation to the preparation of the Summarised Account met the risk score threshold for escalation and reporting in the HSSG Risk Register.
14. The Summarised Accounts are prepared in accordance with the 2017-18 Financial Reporting Manual (FReM) issued by HM Treasury, which applies EU adopted IFRS and interpretations in effect for accounting periods commencing on or after 1 January 2017, and with the LHB / NHS Trust Manual For Accounts 2017-18.
15. The LHB / NHS Trust Manual for Accounts issued by the HSSG Finance Directorate complements the FReM by providing additional advice and guidance on interpretations specific to the NHS in Wales. The Manual for Accounts is key to the management of risk as it provides sector specific guidance on how to complete the annual accounts proformas, supporting Financial Returns, and Memorandum Statements of debtor and creditor balances and income and expenditure transactions. Compliance with the Manual for Accounts is critical to ensuring the accurate and

appropriate completion of the LHB and NHS Trust accounts returns for the preparation of the Summarised Accounts.

16. The key risks managed in relation to the underlying accounts submitted by the LHBs and the NHS Trusts are:
- Inaccuracies in individual NHS entity accounts, which cumulatively result in materially mis-stated balances in the Summarised Accounts;
 - Failures to provide data;
 - Delays in submission of NHS entity accounts; and
 - Mis-matching and / or non-elimination of intra-NHS entity transaction streams and balances, resulting in materially mis-stated figures.
17. HSSG Finance Directorate mitigate these risks through actions including:
- Preparation and issue annually of the Manual for Accounts, templates and supporting papers;
 - Participation in the NHS Wales Technical Accounting Group;
 - Preparation of the Summarised Accounts from audited statutory accounts;
 - Planning and engagement with LHBs and NHS Trusts to ensure clear understanding of requirements and delivery expectations;
 - Provision of support in the accounts preparation period to advise NHS entities on issues arising; and
 - Provision of templates, guidance, training and active management of intra-NHS agreement of balances process and matrices.
18. The main risks specific to the Summarised Accounts preparation process identified and managed in year were:
- Insufficient availability of appropriately skilled HSSG Finance staff to prepare the accounts;
 - Inability to align timetables for LHB and NHS Trust accounts with the WG Summarised Accounts process as NHS audit planning commences earlier in the financial year than WG central planning. This is managed through HSSG liaison and co-ordination with WAO, WG Financial Control and NHS bodies;
 - Late submission of quality assured LHB and NHS Trust accounts properly presented and the lack of appropriate working papers;
 - Technical queries relating to the underlying accounts and the Summarised Account not being resolved in a timely manner between HSSG Finance, NHS organisations and Wales Audit Office;
 - Delayed issue of both draft and final NHS Manual for Accounts and accounts templates; and
 - Insufficient level of management review and scrutiny of the draft Summarised Accounts, including the relevant accounting and disclosure requirements, consolidation journals and supporting evidence, before submission to audit.
19. 2017-18 is the second year of assessment of the ‘first financial duty’ for Local Health Boards and NHS Trusts in Wales. As set out in Welsh Health Circular (2016) 054¹ the

¹ [WHC \(2016\) 054](#)

‘first financial duty’ relates to the balancing of expenditure and income or resources allocated over a three-year period of assessment.

20. The HSSG risk assessment process identified forecast deficits arising in Local Health Boards during 2017-18, and that consequent potential breaches of the first financial duty could lead to regularity qualifications in the Local Health Board accounts, potentially impacting upon the regularity opinions of associated statutory accounts, including the NHS Summarised Accounts.
21. Local Health Boards were designated within the budget motion of the Welsh Government for 2017-18 in the Government of Wales Act 2006 (Budget Motions and Designated Bodies) Order 2016. The impact of Local Health Board deficits on the Auditor General for Wales regularity opinion for the NHS Summarised and Welsh Government Consolidated Accounts is unaffected by the designation order.

Role of Internal Audit

22. The Welsh Government has an Internal Audit Service, which operates to standards defined in the Public Sector Internal Audit Standards. They undertake a full programme of work based on an analysis of the major risks facing each Group. The process of the preparation of the Summarised Accounts has not been included in the Internal Audit programme for HSSG in the current financial year.

Role of External Audit

23. The accounts of the individual NHS organisations are transmitted to HSSG Finance by auditors on behalf of the Auditor General for Wales (AGW), together with his audit opinion on the accounts of each body. This provides an independent assurance to Welsh Government that the data to be used to prepare the Summarised Accounts is authentic and agrees with the underlying source data from the audited LHB and NHS Trust statutory accounts.
24. The AGW opinion on the financial statements discloses whether they give a true and fair view of the state of affairs of LHBs / NHS Trusts for the financial year ending 31 March 2018 and whether they have been prepared in accordance with paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006 and directions made thereunder by HM Treasury. The opinion on regularity states whether the expenditure and income have been applied to the purposes intended by the National Assembly and the financial transactions conform to the authorities which govern them.
25. At the end of each financial year, the Accountable Officer in each LHB and NHS Trust is required to present a Governance Statement alongside the audited Financial Statements. The Governance Statement is reviewed by the auditor to identify material inconsistencies with the audited financial statements.
26. The Summarised Accounts are subject to audit by the Auditor General for Wales, who issues an audit certificate and report to the National Assembly for Wales on the Summarised Accounts under paragraph 5 of Schedule 9 to the National Health Service (Wales) Act 2006. On completion of the audit annually an ‘Audit of Financial Statements Report’ is prepared by the Wales Audit Office and issued to the Director

General HSSG as Additional Accounting Officer for his consideration, prior to the approval of the Summarised Accounts. The ‘Audit of Financial Statements Report’ is also reported to the Audit and Risk Committee noting any areas of concern or action required for the following year. HSSG Finance consider issues noted in the Financial Statements Report and undertake remedial actions accordingly. No uncorrected misstatements, corrected misstatements or other significant issues were reported in the 2016-17 Summarised Accounts requiring action for 2017-18.

27. Additionally, the Auditor General for Wales prepares a ‘NHS Financial Statements Audits’ summary report for the HSSG Finance Division on the preparation and audit of the LHB and NHS Trust financial statements, which makes recommendations to improve the quality and efficiency of future years’ accounts preparation. HSSG receive, respond to and implement the agreed recommendations contained in these reports annually, which serve to enhance the overall quality of preparation of the underlying NHS accounts. All issues noted in the 2016-17 Report have been completed and actions taken reported to Wales Audit Office.

Information Governance

28. In preparing the Summarised Accounts, HSSG Finance does not collect any personal data from NHS organisations other than that placed in the public domain in the underlying accounts. Summarised accounts information collected from NHS organisations is held within the Welsh Government records management systems.
29. All LHBs and NHS Trusts have programmes of action in place to achieve compliance with the requirements of the General Data Protection Regulations (GDPR) which came into force on 25 May 2018. GDPR readiness has featured in reporting throughout 2017-18 to Executive and Committee members, with many organisations utilising the Information Commissioners Office ‘12 Steps to Readiness’ guidance to assess changes required. Details of each organisations actions can be found in their Annual Governance Statements.
30. Six LHBs and one NHS Trust have reported significant data security lapses including those reported to the Information Commissioner during 2017-18. In all cases, appropriate subsequent action has been taken to ensure that the risks to data security are mitigated. Details of the data lapses and actions taken can be found in the Annual Governance Statements of the six LHBs reporting lapses and Velindre NHS trust, as the NHS trust reporting lapses.

Significant governance issues in the underlying accounts

31. The Governance Statements of the LHBs and NHS Trusts set out how successfully the organisation has coped with the challenges it faced. These Governance Statements provide evidence on the governance, risk management and control in order to provide a coherent and consistent reporting mechanism, including identification of significant control and governance issues. The full details can be found in the annual accounts of each LHB and NHS Trust in Wales, which are laid separately before the National Assembly for Wales²

² <http://www.assembly.wales/en/bus-home/Pages/Plenary.aspx?assembly=5&category=Laid%20Document>

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

- Bi-annual JET process (Welsh Government/NHS body Joint Executive Team meetings);
- Regular cycle of quality and delivery meetings (Welsh Government/NHS organisations), typically bi-monthly however regularity will be increased with organisations where a need is identified;
- Monthly NHS Wales Executive Board meetings;
- Quarterly tripartite (WAO/HIW/Welsh Government) escalation framework meetings;
- Monthly Intervention meetings on finance and performance with LHBs in escalation;
- Regular Special Measures meeting with Betsi Cadwaladr UHB; and
- Monthly Cabinet Secretary and Director General accountability meetings with the Betsi Cadwaladr UHB Chair and Chief Executive Officer

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

Significant internal control or governance issues

- All LHBs and NHS Trusts have declared their assessment within their respective Annual Governance Statements that generally sound systems of internal control were in place to support the delivery of their policy aims and objectives for 2017-18. However in the Accountable Officers' assessments of effectiveness, areas of weakness or improvements required are noted and full details are contained in each individual body's own statements.
- Six LHBs have concluded that there are no significant internal control or governance issues. All six LHBs acknowledge there are areas of internal control or governance where improvements are required, including targeted intervention areas for improvement in Abertawe Bro Morgannwg, Cardiff & Vale and Hywel Dda UHB. Betsi Cadwaladr UHB identified some significant internal control or governance issues relating to feedback from; Welsh Government including Special Measures, the WAO Structured Assessment and Joint Review with Healthcare Inspectorate Wales, Internal Audit reports and the findings of the Health and Social Care Advisory Service investigation into the care provided to patients on Tawel Fan ward at Glan Clwyd Hospital. Details of internal control and governance issues are contained in each individual body's own statements

- All three NHS trusts have reported a conclusion of no significant governance issues within their Annual Governance Statements whilst noting there are areas of internal control or governance where improvements are required.

Local health boards and NHS trust subject to escalation actions

- In accordance with the Welsh Government NHS Escalation and Intervention Arrangements³, six out of ten NHS Wales organisations remain in routine monitoring, while four LHBs have been subject to escalation status in the 2017-18 financial year, details of which are set out below.
- **Betsi Cadwaladr University Health Board** was placed in special measures on the 8 June 2015. On the 1 February 2018 the Cabinet Secretary for Health and Social Services provided a detailed written statement on the health boards' status, further to the December 2017 tripartite review⁴.
- The health board has made progress against the expectations set out in the special measures improvement framework in 2017-18. Framework milestones met include improved clinical oversight for complaints and concerns management, improvements in the ways it engages with members of the public and an agreed mental health strategy, developed in partnership with the involvement of service users. Due to the significant improvements made in maternity services including reduced reliance on locum/ agency rate and introduction of pre-registration midwifery students to Ysbyty Glan Clwyd, it was de-escalated as a special measures concern on 1st February 2018.
- Despite progress in some important areas, the health board continues to face significant challenges, and during 2017-18 its escalation status in relation to financial management and key areas of performance was raised. This has resulted in the Welsh Government increasing its oversight, including monthly intervention meetings from July 2017. Heightened monitoring and oversight of the health board by Welsh Government will continue.
- Consequent to the December 2017 tripartite meeting, additional criteria and milestones were issued to the health board to achieve or significantly progress by April 2018, with a further revised framework issued to the health board setting out the expectations for the next 18 months published on 8th May, 2018⁵. This sets out clear expectations that will require the health board to demonstrate not only that milestones have been met, but that sustainable solutions are in place to maintain progress.
- The health board acknowledges in its Annual Governance Statement that it remains responsible and accountable for its actions and improvements on behalf of its population.

³ <http://gov.wales/topics/health/nhswales/escalation/?lang=en>

⁴ <https://gov.wales/about/cabinet/cabinetstatements/2018/BCUHB/?lang=en>

⁵ <https://gov.wales/docs/dhss/publications/180508bcu-improveen.pdf>

- **Abertawe Bro Morgannwg University Health Board** was escalated to targeted intervention status on the 7th September 2016. The health board was placed into targeted intervention as it had been unable to deliver their previously approved integrated medium term plan, had made insufficient progress with quality issues and had continuing performance challenges in areas such as unscheduled care and cancer.
- The health board has remained in targeted intervention throughout 2017-18, with a focus on unscheduled care, planned care and infection control as well as financial performance.
- **Cardiff and Vale University Health Board** was escalated from enhanced monitoring to targeted intervention on the 7th September 2016. The health board was placed into targeted intervention to highlight the need for improvement on specific issues, mainly related to the 3 year plan.
- The health board has remained in targeted intervention throughout 2017-18, with a focus on financial performance and the intent to develop a sustainable integrated plan.
- **Hywel Dda University Health Board** was escalated from enhanced monitoring to targeted intervention on the 7th September 2016. The health board was placed into targeted intervention in order to highlight the need for improvement of specific issues, as the health board faces ongoing strategic, service and financial challenges.
- The health board has remained in targeted intervention throughout 2017-18, with a focus on financial and workforce performance.
- During the year a zero based review of Hywel Dda's cost base was jointly commissioned by the health board and Welsh Government, in light of its ongoing financial challenges. The review report found that two factors, demographics and scale, generated excess costs that were unavoidable to the board, and this was presented and published at the March 2018 health board meeting.
- In a Written Statement on the 23rd May 2018, the Cabinet Secretary for Health and Social Services announced the review partially confirms the view that Hywel Dda faces a unique set of healthcare challenges that have contributed to the consistent deficits incurred by the board and its predecessor organisations. In response to these findings the Cabinet Secretary approved the release of £27 million additional recurrent funding to the health board. This places the health board on a fair funding basis compared to other health boards by funding the excess costs identified in the review and provides a sound footing for the Board to develop and transform services.
- The Hywel Dda Board is expected to focus on the costs that the review indicates were within their control to manage and deliver on the efficiencies that it identified.
- Through the Welsh Government escalation process, clear concerns have been identified regarding the financial governance arrangements of the organisations in targeted intervention status. All LHBs in targeted intervention for financial issues (Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff and Vale and Hywel Dda) received reports from independent financial governance reviews commissioned by the

Welsh Government during 2017-18. Action plans have been developed and published by the Boards for implementation, with progress reported through Audit and Risk Committees during the year.

- HSSG officials are taking action to support local health boards in escalation status. Each support requirement is specific to the local health board, however action includes:
 - Monthly intervention meetings with each health board on finance and performance;
 - Monthly planning team liaison meetings with each health board to support development of plans;
 - Regular HSSG EDT session to discuss issues relating to escalated organisations;
 - Development of clear criteria for de-escalation for each health board;
 - Detailed review meeting on Financial Plan components and assumptions;
 - Scrutiny of service delivery, workforce and performance plans, linked to financial plan assessment for 2018/19;
 - BCUHB progress on milestones discussed at EDT Escalation meetings and regular meetings held with BCU Executive; and
 - Individual leads within Welsh Government in regular contact with BCU to monitor progress and improvement in the key areas set out in the improvement framework.

- Details on how each organisation in targeted intervention or special measures has taken action in 2017-18 to address the concerns identified is set out in the Governance Statements of Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda health boards.

Assurances and compliance

- All LHBs and NHS Trusts have stated that they are compliant with the Corporate Governance Code to the extent it relates to NHS public sector organisations in Wales, and that they are satisfied they are complying with the main principles of the Code with no material exceptions.

- The NHS Head of Internal Audit provides an annual overall opinion to the Board of each NHS organisation on governance, risk management and control. The role of NHS Internal Audit is to provide an independent and objective opinion on the system of control. The work of NHS Internal Audit is undertaken in accordance with public sector internal audit standards, the scope of the work is agreed with the Audit Committee of each organisation and is focussed on significant risk areas and local improvement priorities.

- The annual assurance opinions for the Head of Internal Audit assessment on the overall adequacy of each organisation's governance, risk management and control processes are provided within a range from 'No Assurance' to 'Substantial Assurance'. No LHBs or NHS trusts received a 'No Assurance' overall opinion for 2017-18. Two LHBs (Abertawe Bro Morgannwg UHB & Betsi Cadwaladr UHB) received a "Limited Assurance" overall opinion from the Head of Internal Audit, all

other LHBs and NHS trusts received a ‘Reasonable Assurance’ opinion. The Head of Internal Audit’s opinion, details of the basis of that opinion, audit assignments with ‘Limited’ or ‘No Assurance’ opinions, actions and responses to Internal Audit recommendations are contained within the Annual Governance Statements of the individual NHS organisations.

- Welsh Government requests quarterly notification from all LHBs and NHS Trusts of all No Assurance and Limited Assurance internal audit reports received in that period, no ‘No Assurance’ reports were issued to LHBs or NHS Trusts for 2017-18. Limited Assurance reports and organisational responses to them are discussed as part of the tripartite escalation and intervention arrangements between Welsh Government, HIW and WAO. They are viewed as one of the indicators of the effectiveness of governance mechanisms in place in organisations.
- Four LHBs have received a qualified audit opinion for 2017-18 in respect of the regularity opinion of the Auditor General for Wales. The qualified opinion is on the basis that the health boards did not achieve their statutory financial duty set out in the National Health Service (Wales) Act 2006 section 175 (1) *to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years*. The local health boards affected and their accumulated revenue deficits over the 3 year period of assessment are as follows:

Abertawe Bro Morgannwg	(£71.647m)
Betsi Cadwaladr	(£88.147m)
Cardiff & Vale	(£56.028m)
Hywel Dda	(£150.242m)
- It is anticipated that due to the qualification of these underlying LHB accounts the Summarised Account of the Local Health Boards will also receive a qualified regularity opinion. This anticipated qualification does not reflect the preparation and summarisation process of the Summarised Account, or the ‘true and fair’ opinion, it arises as a consequence of four LHBs generating financial deficits over the statutory duty assessment period 2015-16 to 2017-18. Those overall deficits constitute irregular expenditure.
- All three NHS Trusts in Wales met their financial duty under Schedule 4 Paragraph 2 of the National Health Service (Wales) Act 2006 to ‘ensure that its revenue is not less than sufficient, taking one financial year with another’ measured over a rolling three year period.
- Under the NHS Finance (Wales) Act 2014, Schedule 4 Paragraph 2(2) of the National Health Service (Wales) Act 2006 and the NHS Wales Planning Framework health boards and NHS Trusts are required to prepare and submit an Integrated Medium Term Plan to the Welsh Government for approval by the Cabinet Secretary for Health & Social Services by the 30th June annually.
- For the 2017-18 financial year Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda University Health Boards did not meet their statutory duty to have an approved integrated medium term plan in place and operated an annual plan

for the financial year. Aneurin Bevan and Cwm Taf University Health Boards and Powys Health Board met their statutory duty to have an approved integrated medium term plan in place.

- All three NHS Trusts met their statutory duty to have an approved integrated medium term plan in place for the 2017-18 financial year.
- In relation to the requirement to submit integrated medium term plans for the period 2018-19 to 2020-21 for approval, the plans for three health boards, Aneurin Bevan University, Cwm Taf University and Powys Teaching Health Boards and all three NHS Trusts were approved by the Cabinet Secretary for Health and Social Services on the 13th June 2018.
- Abertawe Bro Morgannwg, Betsi Cadwaladr, Cardiff & Vale and Hywel Dda were unable to develop, finalise and submit Board approved balanced integrated plans for the period 2018-19 to 2020-21, and instead are developing annual operating plans for 2018-19.

Disclosure of information to auditors

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

Review of effectiveness

34. As the Director General and Additional Accounting Officer, I have responsibility for reviewing the effectiveness of the system of governance and internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the HSSG Audit and Risk Assurance Committee and comments made by the external auditors in their management letter and other reports.
35. I am satisfied that the risks in relation to the preparation of the Summarised Account are generally well managed and that the internal controls provide an appropriate framework to assure the process of consolidation.
36. The Welsh Government health and social services budget achieved a small revenue surplus in 2017-18 including managing the deficits incurred by four local health boards. The Welsh Government monitors and challenges health boards financial forecasts on a regular basis throughout the year. In 2017-18 four health boards indicated they would be unable to operate within allocations and planned for a deficit outturn. To maintain financial discipline with these organisation, Welsh Government set maximum deficit financial control totals as follows;
- Abertawe Bro Morganwgg - £36.0 million
 - Betsi Cadwaladr - £26.0 million
 - Cardiff & Vale - £30.9 million
 - Hywel Dda - £58.9 million

37. Abertawe Bro Morgannwg and Cardiff and Vale both improved upon these control totals. Betsi Cadwaladr and Hywel Dda both failed to operate within these control totals.
38. As independent bodies that have a statutory duty to manage their finances Welsh Government expects the health boards to take the action needed to meet their financial targets. The legislation introduced in 2014 provided organisations more flexibility to manage their finances over a three year period. Six organisations have successfully adapted to this new regime and are managing financial balance within their three year plans. Two organisations in Targeted Intervention (Abertawe Bro Morgannwg and Cardiff and Vale) achieved an improved financial deficit position in 2017-18 compared to 2016-17.
39. Through the targeted intervention process, and special measures in the case of Betsi Cadwaladr, Welsh Government continues to provide challenge and support to those organisations that do not have approved medium term plans. The Escalation Framework will continue to be used to intervene in organisations whose plans or performance falls short of required standards.
40. As Chief Executive NHS Wales I continue to working closely with the LHBs and NHS Trusts to address the significant governance issues identified, in particular to ensure that learning is shared across NHS Wales organisations.
41. A Finance Delivery Unit was established in February 2018 to monitor and manage more closely financial risk in NHS Wales and to enable the Welsh Government to respond at pace where organisations are in financial failure. From 2018-19, it will provide assurance to me, the HSSG Finance Director and the Cabinet Secretary, on the robust development and delivery of in-year and medium term financial and resource plans by NHS organisations.
42. Through the NHS Escalation and Intervention arrangements I will continue to work with the Auditor General for Wales and Healthcare Inspectorate Wales to share information and respond when issues of concern become apparent in NHS bodies in Wales.



Dr Andrew Goodall
Director General, Health and Social Services Group,
Chief Executive, NHS Wales and Additional Accounting Officer for the NHS in
Wales
29 June 2018

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, Health and Social Services Group, 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.

Summarised Accounts of the Local Health Boards in Wales

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

Report on the audit of the financial statements

Opinion

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 2018 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, the related notes, including a summary of significant accounting policies, and the financial duties note in Annex 1. 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 (IFRSs).

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 2018 and of their net operating costs 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.

Basis for opinions

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

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Additional Accounting Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Local Health Boards in Wales' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Additional Accounting Officer is responsible for the other information in the accounts which comprises the Foreword and Annual Governance Statement. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Basis for Qualified Opinion on Regularity

Betsi Cadwaladr, Abertawe Bro Morgannwg, Cardiff and Vale and Hywel Dda University Local Health Boards have breached their revenue resource limits by spending £366.064 million over the £12,188 million that they were authorised to spend in the three-year period 2015-16 to 2017-18. This spend constitutes irregular expenditure. Further detail is set out in my Report on page 6.

Qualified Opinion on Regularity

In my opinion, except for the irregular expenditure of £366.064 million incurred in the period 2015-16 to 2017-18 explained in the paragraph above, in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

Report on other requirements

Opinion on other matters

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

- the information contained in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements and the Foreword has been prepared in accordance with applicable legal requirements; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with HM Treasury's guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the Local Health Boards in Wales and their environment obtained in the course of the audit, I have not identified material misstatements in the Foreword or the Annual Governance Statement.

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all the information and explanations I require for my audit.

Report

Please see my Report on page 6.

Responsibilities

Responsibilities of the Additional Accounting Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Responsibilities for regularity

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

I am responsible for expressing an opinion on whether 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.

Huw Vaughan Thomas
Auditor General for Wales
3 July 2018

24 Cathedral Road
Cardiff
CF11 9LJ

Report of the Auditor General to the National Assembly for Wales

Introduction

Local Health Boards (LHBs) are required to meet two statutory financial duties – known as the first and second financial duties.

For 2017-18 four of the seven LHBs failed to meet either of these duties. As a result I placed a narrative report alongside my audit certificate at each of those four LHBs. I have decided to issue a narrative report on these summarised accounts to explain the position.

Failure of the first financial duty

The **first financial duty** gives additional flexibility to LHBs by allowing them to balance their income with their expenditure over a three-year rolling period. The second three-year reporting period under this duty is 2015-16 to 2017-18, and so it is measured this year for the second time.

As shown in Annex 1 to the Foreword, Betsi Cadwaladr, Abertawe Bro Morgannwg, Cardiff and Vale and Hywel Dda University Local Health Boards did not manage their revenue expenditure within their resource allocation over this three year period. Their combined cumulative revenue resource limits of £12,188 million over the three years were exceeded by £366.064 million.

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

Failure of the second financial duty

The **second financial duty** requires LHBs to prepare, and have approved by the Welsh Ministers, a rolling three-year integrated medium term plan. This duty is an essential foundation to the delivery of sustainable quality health services. An LHB will be deemed to have met this duty for 2017-18 if it submitted a 2017-18 to 2019-20 plan approved by its Board to the Welsh Ministers who then approved it by 30 June 2017.

As shown in Annex 1 to the Foreword, Betsi Cadwaladr, Abertawe Bro Morgannwg, Cardiff and the Vale and Hywel Dda University Local LHBs did not meet their second financial duty to have an approved three-year integrated medium term plan in place for the period 2017-18 to 2019-20.

Huw Vaughan Thomas
Auditor General for Wales
3 July 2018

Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

	Note	2017-18 £'000	2016-17 £'000
Expenditure on Primary Healthcare Services	2.1	1,429,501	1,388,122
Expenditure on healthcare from other providers	2.2	1,095,889	1,042,829
Expenditure on Hospital and Community Health Services	2.3	4,363,343	4,276,625
		6,888,733	6,707,576
Less: Miscellaneous Income	3	(405,665)	(395,678)
LHB net operating costs before interest and other gains and losses		6,483,068	6,311,898
Less :Investment Income	4	(25)	(22)
Other (Gains) / Losses	5	(8,051)	(593)
Finance costs	6	7,253	7,518
Net operating costs for the financial year		6,482,245	6,318,801
		2017-18 £'000	2016-17 £'000
Other Comprehensive Net Expenditure			
Net gain on revaluation of property, plant and equipment		129,423	13,116
Net loss on revaluation of available for sale financial assets		(44)	(1,347)
Impairment and reversals		(9,343)	(164)
Other comprehensive net expenditure for the year		120,036	11,605
Total comprehensive net expenditure for the year		6,362,209	6,307,196

The notes on pages 12 to 49 form part of these accounts

Statement of Financial Position as at 31 March 2018

	Notes	31 March 2018 £'000	31 March 2017 £'000
Non-current assets			
Property, plant and equipment	10.1	3,115,281	2,900,035
Intangible assets	11	10,287	9,979
Trade and other receivables	14	415,409	306,420
Other financial assets	15	693	724
Total non-current assets		3,541,670	3,217,158
Current assets			
Inventories	13.1	60,045	61,200
Trade and other receivables	14	442,906	389,084
Other financial assets	15	526	361
Cash and cash equivalents	16	20,055	15,353
		523,532	465,998
Non-current assets classified as "Held for Sale"	10.2	955	4,103
Total current assets		524,487	470,101
Total assets		4,066,157	3,687,259
Current liabilities			
Trade and other payables	17	(807,769)	(763,884)
Provisions	19	(296,870)	(258,510)
Total current liabilities		(1,104,639)	(1,022,394)
Net current assets/ (liabilities)		(580,152)	(552,293)
Non-current liabilities			
Trade and other payables	17	(61,358)	(66,119)
Provisions	19	(446,815)	(339,157)
Total non-current liabilities		(508,173)	(405,276)
Total assets employed		2,453,345	2,259,589
Financed by :			
Taxpayers' equity			
General Fund		1,948,345	1,872,722
Revaluation reserve		505,000	386,867
Total taxpayers' equity		2,453,345	2,259,589

The notes on pages 12 to 49 form part of these accounts



Dr Andrew Goodall, Director General, Health and Social Services Group, Chief Executive NHS Wales
29 June 2018

Statement of Changes in Taxpayers' Equity For the year ended 31 March 2018

	General Fund £'000	Revaluation reserve £'000	Total reserves £'000
Changes in taxpayers' equity for 2017-18			
Balance at 1 April 2017	1,872,722	386,867	2,259,589
Net operating cost for the year	(6,482,245)	-	(6,482,245)
Net gain on revaluation of property, plant and equipment	-	129,423	129,423
Net loss on revaluation of assets held for sale	-	(44)	(44)
Impairments and reversals	-	(9,343)	(9,343)
Transfers between reserves	2,032	(2,032)	-
Transfers (to) / from other bodies NHS Wales bodies	(129)	129	-
Total recognised income and expense for 2017-18	(6,480,342)	118,133	(6,362,209)
Net Welsh Government funding	6,555,965	-	6,555,965
Balance at 31 March 2018	1,948,345	505,000	2,453,345

The notes on pages 12 to 49 form part of these accounts

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2017

	General Fund £'000	Revaluation reserve £'000	Total reserves £'000
Changes in taxpayers' equity for 2016-17			
Balance at 1 April 2016	1,851,509	383,574	2,235,083
Net operating cost for the year	(6,318,801)	-	(6,318,801)
Net gain on revaluation of property, plant and equipment	-	12,952	12,952
Net loss on revaluation of assets held for sale	-	(1,347)	(1,347)
Transfers between reserves	8,312	(8,312)	-
Total recognised income and expense for 2016-17	(6,310,489)	3,293	(6,307,196)
Net Welsh Government funding	6,331,702	-	6,331,702
Balance at 31 March 2017	1,872,722	386,867	2,259,589

The notes on pages 12 to 49 form part of these accounts

Statement of Cash Flows for year ended 31 March 2018

	2017-18 £'000	2016-17 £'000
Cash flows from operating activities	Notes	
Net operating costs for the financial year	(6,482,245)	(6,318,801)
Movements in Working Capital	26 (114,669)	(139,705)
Other cash flow adjustments	27 424,238	396,107
Provisions utilised	19 (110,482)	(75,856)
Net cash outflow from operating activities	(6,283,158)	(6,138,255)
Cash flows from investing activities		
Purchase of property, plant and equipment	(277,782)	(189,268)
Proceeds from disposal of property, plant and equipment	13,256	2,179
Purchase of intangible assets	(3,787)	(4,127)
Proceeds from disposal of intangible assets	208	-
Net cash outflow from investing activities	(268,105)	(191,216)
Net cash outflow before financing	(6,551,263)	(6,329,471)
Cash flows from financing activities		
Welsh Government funding (including capital)	6,555,965	6,331,702
Net financing	6,555,965	6,331,702
Net increase in cash and cash equivalents	4,702	2,231
Cash and cash equivalents at 1 April 2017	15,353	13,122
Cash and cash equivalents at 31 March 2018	20,055	15,353

The notes on pages 12 to 49 form part of these accounts

Notes to the Accounts

1. Accounting policies

The Cabinet Secretary for Health and Social Services has directed that the financial statements of Local Health Boards (LHB) in Wales shall meet the accounting requirements of the NHS Wales Manual for Accounts. Consequently, the following financial statements have been prepared in accordance with the 2017-18 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 LHB 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 LHB for the purpose of giving a true and fair view has been selected. The particular policies adopted by the LHB are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

1.2 Income and funding

The main source of funding for the LHB's are allocations (Welsh Government 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.

1.3 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.

Other Pensions Disclosure National Employment Savings Trust (NEST)

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

1.4 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.

1.5 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.

In 2017-18 a formal revaluation exercise by the District Valuation Office was applied to the land and properties of NHS Wales as from 1 April 2017. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

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

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

IAS 16 and IAS 38 have been adapted for the public sector context which limits the circumstances under which a valuation is prepared under IFRS 13. Assets which are held for their service potential and are in use should be measured at their current value in existing use. For specialised assets current value in existing use should be interpreted as the present value of the assets remaining service potential, which can be assumed to be at least equal to the cost of replacing that service potential.

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

Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use, if there are restrictions on the entity or the asset which would prevent access to the market at the reporting date. If the LHB could access the market then the surplus asset should be used at fair value using IFRS 13. In determining whether such an asset which is not in use is surplus, an assessment should be made on whether there is a clear plan to bring the asset back into use as an operational asset.

Where there is a clear plan, the asset is not surplus and the current value in existing use should be maintained. Otherwise the asset should be assessed as being surplus and valued under IFRS13. Assets which are not held for their service potential should be valued in accordance with IFRS 5 or IAS 40 depending on whether the asset is actively held for sale. Where an asset is not being used to deliver services and there is no plan to bring it back into use, with no restrictions on sale, and it does not meet the IAS 40 and IFRS 5 criteria, these assets are surplus and are valued at fair value using IFRS 13.

Subsequent expenditure

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

1.6 Depreciation, amortisation and impairments

Freehold land and assets under construction and properties 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 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 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 values or service potential are taken to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the SoCNE. Impairment losses that arise from a clear consumption of economic benefit are taken to the SoCNE. The balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 are transferred to retained earnings.

1.7 Non-current assets held for sale

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

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

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

1.8 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.

1.8.1 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.

1.9 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.

1.10 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 Cashflows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the cash management.

1.11 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 Statement of Financial Position 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 the discount rate supplied by HM Treasury.

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

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the 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.

1.12 Clinical negligence costs

The Welsh Risk Pool operates a risk pooling scheme which is co-funded by the Welsh Government with the option to access a risk sharing agreement funded by the participative NHS Wales bodies. The risk sharing option was not implemented in 2017-18. The Welsh Risk Pool is hosted by Velindre NHS Trust.

1.13 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.

1.13.1 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.

1.14 Financial liabilities

Financial liabilities are recognised on the Statement of Financial Position 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.

1.14.1 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

1.15 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.

1.16 Losses and Special Payments

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

Losses and special payments are charged to the relevant functional headings in the SoCNE on an accruals basis, including losses which would have been made good through insurance cover had 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.

1.17 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 assets

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.

1.18 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 LHB. 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.

1.19 Accounting standards that have been issued but not yet been adopted

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

IFRS 9 Financial Instruments - to be adopted in 2018-19
IFRS 14 Regulatory Deferral Accounts
IFRS 15 Revenue from contracts with customers - to be adopted in 2018-19
IFRS 16 Leases

1.20 Accounting standards that have been adopted early

No accounting standards issued have been adopted early.

1.21 Charities

The LHBs with the agreement of the Welsh Government have adopted the IFRS 10 exemption to consolidate. The Welsh Government as the ultimate parent of the Local Health Boards will disclose the Charitable Accounts of the Local Health Boards in the Welsh Governments Consolidated Accounts, if they exceed the relevant materiality criteria.

1.22 Key sources of estimation uncertainty

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

The amount recognised as provisions give rise to significant judgement and uncertainty. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking in to account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. A change in the assumptions could cause an increase or decrease in the amounts recognised as a provision which could materially impact the results of operations.

2. Analysis of gross operating costs

2.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2017-18 Total £'000	2016-17 £'000
General Medical Services	517,078	-	517,078	487,073
Pharmaceutical Services	150,021	(15,139)	134,882	139,632
General Dental Services	178,005	-	178,005	173,579
General Ophthalmic Services	8,768	32,804	41,572	39,019
Other Primary Health Care expenditure	34,134	-	34,134	29,254
Prescribed drugs and appliances	523,830	-	523,830	519,565
Total	1,411,836	17,665	1,429,501	1,388,122

2.2 Expenditure on healthcare from other providers

	2017-18 £'000	2016-17 £'000
Goods and services from other NHS Wales Health Boards	-	-
Goods and services from other NHS Wales Trusts	271,731	261,558
Goods and services from other non Welsh NHS bodies	264,080	254,557
Goods and services from WHSSC	-	-
Local Authorities	54,985	55,040
Voluntary organisations	36,390	35,502
NHS Funded Nursing Care	53,889	39,484
Continuing Care	361,376	330,952
Private providers	54,731	65,899
Other	(1,293)	(163)
Total	1,095,889	1,042,829

2.3 Expenditure on Hospital and Community Health Services

	2017-18 £'000	2016-17 £'000
Directors' costs	13,377	12,881
Staff costs	3,180,133	3,104,531
Supplies and services - clinical	631,077	618,641
Supplies and services - general	65,891	69,607
Consultancy Services	6,324	7,108
Establishment	61,238	63,861
Transport	13,334	13,476
Premises	151,560	153,330
External Contractors	5,449	5,435
Depreciation	144,191	139,244
Amortisation	3,290	2,949
Fixed asset impairments and reversals (Property, plant & equipment)	37,814	47,845
Impairments and reversals of non-current assets held for sale	(56)	-
Audit fees	2,770	2,772
Other auditors' remuneration	8	5
Losses, special payments and irrecoverable debts	19,735	19,780
Research and Development	6,937	455
Other operating expenses	20,271	14,705
Total	4,363,343	4,276,625

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

	2017-18 £'000	2016-17 £'000
Increase/(decrease) in provision for future payments:		
Clinical negligence	232,954	218,547
Personal injury	6,732	4,736
All other losses and special payments	1,549	2,015
Defence legal fees and other administrative costs	5,320	5,298
Gross increase/(decrease) in provision for future payments	246,555	230,596
Irrecoverable debts	2,170	1,342
Less: income received/ due from Welsh Risk Pool	(228,990)	(212,158)
Total	19,735	19,780

Personal injury includes £2,650,806 (2016-17: £2,412,657) in respect of permanent injury benefits
Payments in respect of clinical redress were £2,807,714 (2016-17: £2,244,323)

3. Miscellaneous Income

	2017-18 £'000	2016-17 £'000
NHS trusts	32,285	28,443
Other NHS England bodies	30,622	29,464
Foundation Trusts	958	1,349
Local authorities	54,336	53,069
Welsh Government	20,670	21,059
Non NHS:		
Prescription charge income	150	204
Dental fee income	38,048	37,258
Private patient income	6,202	6,143
Overseas patients (non-reciprocal)	669	1,023
Injury Costs Recovery (ICR) Scheme	10,958	10,948
Other income from activities	15,197	10,769
Patient transport services	-	31
Education, training and research	117,152	115,824
Charitable and other contributions to expenditure	6,331	5,490
Receipt of donated assets	9,326	7,209
Receipt of Government granted assets	19	1,648
Non-patient care income generation schemes	3,995	3,718
Deferred income released to revenue	1,029	6,688
Contingent rental income from finance leases	-	-
Rental income from operating leases	1,646	1,630
Other income:		
Provision of laundry, pathology, payroll services	5,197	5,037
Accommodation and catering charges	16,153	15,275
Mortuary fees	1,749	1,656
Staff payments for use of cars	4,025	3,726
Business units	100	1,970
Other	28,848	26,047
Total	405,665	395,678

ICR income is subject to a provision for impairment of 22.84% (2016-17 22.94%) to reflect expected rates of collection.

4. Investment Income

	2017-18	2016-17
	£'000	£'000
Interest revenue :		
Other loans and receivables	4	-
Other financial assets	21	22
Total	25	22

5. Other gains and losses

	2017-18	2016-17
	£'000	£'000
Gain/(loss) on disposal of property, plant and equipment	305	520
Gain/(loss) on disposal of assets held for sale	7,746	73
Total	8,051	593

6. Finance costs

	2017-18	2016-17
	£'000	£'000
Interest on obligations under finance leases	52	76
Interest on obligations under PFI contracts		
main finance cost	4,565	4,742
contingent finance cost	2,497	2,315
Interest on late payment of commercial debt	1	-
Total interest expense	7,115	7,133
Provisions unwinding of discount	138	385
Total	7,253	7,518

7. Operating leases

LHB as lessee

Detailed disclosures are made in the individual LHB accounts.

Payments recognised as an expense	2017-18	2016-17
	£'000	£'000
Minimum lease payments	24,719	23,606
Total	24,719	23,606

Total future minimum lease payments

Payable	£'000	£'000
Not later than one year	19,891	18,485
Between one and five years	39,634	38,313
After 5 years	42,360	38,898
Total	101,885	95,696

LHB as lessor

Rental revenue	£'000	£'000
Rent	1,355	1,387
Total revenue rental	1,355	1,387

Total future minimum lease payments

Receivable	£'000	£'000
Not later than one year	1,195	1,321
Between one and five years	1,680	2,186
After 5 years	2,642	2,915
Total	5,517	6,422

8. Employee benefits and staff numbers

8.1 Employee costs

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other	Total	
	£'000	£'000	£'000	£'000	£'000	£'000
					2017-18	2016-17
Salaries and wages	2,550,518	10,658	101,262	49,296	2,711,734	2,645,034
Social security costs	245,870	11	-	822	246,703	235,648
Employer contributions to NHS Pension Scheme	312,306	14	-	109	312,429	299,221
Other pension costs	519	-	-	-	519	731
Other employment benefits	-	-	-	-	-	-
Termination benefits	698	-	-	-	698	651
Total	3,109,911	10,683	101,262	50,227	3,272,083	3,181,285
Charged to capital					4,649	4,428
Charged to revenue					3,267,434	3,176,857
					3,272,083	3,181,285
Net movement in accrued employee benefits (untaken staff leave accrual included in above)					(300)	334

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.

8.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Other	Total	
	Number	Number	Number	Number	Number	Number
Administrative, clerical and board members	12,761	47	103	14	12,925	12,299
Medical and dental	6,159	59	201	322	6,741	6,693
Nursing, midwifery registered	22,049	11	735	3	22,798	22,701
Professional, Scientific, and technical staff	2,382	26	14	13	2,435	2,598
Additional Clinical Services	14,109	-	50	-	14,159	13,417
Allied Health Professions	4,074	3	89	41	4,207	4,304
Healthcare Scientists	1,585	-	40	3	1,628	1,690
Estates and Ancillary	6,476	-	74	-	6,550	6,533
Students	59	1	-	-	60	67
Total	69,654	147	1,306	396	71,503	70,302

8.3. Retirements due to ill-health

During 2017-18 there were 92 (2016-17 90) 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 £5,145,321 (2016-17 £4,737,560).

8.4 Employee benefits

There were no employee benefit schemes operating in 2017-18

8.5 Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2018, is based on valuation data as 31 March 2017, updated to 31 March 2018 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016 and is currently being prepared. The direction assumptions are published by HM Treasury which are used to complete the valuation calculations, from which the final valuation report can be signed off by the scheme actuary. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

c) National Employment Savings Trust (NEST)

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

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

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

Using qualifying earnings to calculate contributions, currently the legal minimum level of contributions is 2% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 1% of this. The legal minimum level of contribution level is increasing to 8% in April 2019.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £5,876 and £45,000 for the 2017-18 tax year (2016-17 £5,824 and £43,000).

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

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

	2017-18	2016-17
	£	£
Amounts included within finance costs from claims made under this legislation	340	138
Compensation paid to cover debt recovery costs under this legislation	496	81
Total	836	219

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 2017	379,216	2,473,597	49,800	173,796	555,014	5,235	131,143	29,293	3,797,094
Additions - purchased	1,285	25,070	275	175,839	47,542	178	18,314	1,524	270,027
Additions - donated	-	6,327	-	483	2,211	-	228	45	9,294
Additions - government granted	-	-	-	-	8	-	11	-	19
Transfer from/into other NHS bodies	-	-	-	-	-	-	-	-	-
Reclassifications	842	84,502	3	(93,481)	3,179	-	4,891	(60)	(124)
Revaluations	(28,336)	(155,310)	(1,368)	-	-	-	-	-	(185,014)
Reversal of impairments	(1,968)	(20,841)	585	-	-	-	-	-	(22,224)
Impairments	(5,467)	(61,123)	(640)	(7,367)	-	-	-	-	(74,597)
Reclassified as held for sale	(1,203)	(87)	-	-	-	-	-	-	(1,290)
Disposals	(389)	(2,290)	(155)	-	(30,158)	(258)	(5,155)	(247)	(38,652)
At 31 March 2018	343,980	2,349,845	48,500	249,270	577,796	5,155	149,432	30,555	3,754,533
Depreciation at 1 April 2017	208	404,672	7,331	1,792	378,437	4,417	82,538	17,664	897,059
Reclassifications	-	(6)	(6)	-	53	-	-	(41)	-
Revaluations	(217)	(306,975)	(7,201)	-	-	-	-	-	(314,393)
Reversal of impairments	-	(78,198)	(40)	-	-	-	-	-	(78,238)
Impairments	72	28,270	97	-	-	-	-	-	28,439
Reclassified as held for sale	-	(5)	-	-	-	-	-	-	(5)
Disposals	(63)	(2,125)	(3)	-	(29,961)	(258)	(5,144)	(247)	(37,801)
Provided during the year	-	77,959	1,588	-	46,350	233	15,428	2,633	144,191
At 31 March 2018	-	123,592	1,766	1,792	394,879	4,392	92,822	20,009	639,252
Net book value at 1 April 2017	379,008	2,068,925	42,469	172,004	176,577	818	48,605	11,629	2,900,035
Net book value at 31 March 2018	343,980	2,226,253	46,734	247,478	182,917	763	56,610	10,546	3,115,281
Net book value at 31 March 2018 comprises :									
Purchased	339,789	2,189,713	46,734	247,330	169,803	755	55,692	9,740	3,059,556
Donated	4,191	35,574	-	148	13,072	-	724	757	54,466
Government Granted	-	966	-	-	42	8	194	49	1,259
	343,980	2,226,253	46,734	247,478	182,917	763	56,610	10,546	3,115,281
Asset financing :									
Owned	334,215	2,123,166	44,445	247,478	181,737	763	56,610	10,546	2,998,960
Held on finance lease	-	1,973	-	-	909	-	-	-	2,882
On-SoFP PFI contracts	9,765	101,114	2,289	-	271	-	-	-	113,439
Total	343,980	2,226,253	46,734	247,478	182,917	763	56,610	10,546	3,115,281

The net book value of land, buildings and dwellings at 31 March 2018 comprises :

	£'000
Freehold	2,496,394
Long Leasehold	94,798
Short Leasehold	25,775
	2,616,967

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

10.1 Property, plant and equipment

	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 2016	368,335	2,331,041	49,654	226,243	516,987	6,260	117,471	26,758	3,642,749
Indexation	12,599	-	-	-	-	-	-	-	12,599
Additions - purchased	162	30,804	150	110,926	52,653	179	22,162	2,352	219,388
Additions - donated	-	861	-	494	4,607	-	364	709	7,035
Additions - government granted	-	1,639	-	-	-	-	9	-	1,648
Transfer from/into other NHS bodies	-	-	-	-	(1,072)	(718)	(397)	(26)	(2,213)
Reclassifications	-	157,561	(4)	(163,838)	5,217	-	898	144	(22)
Revaluations	(1,316)	962	-	-	-	-	-	-	(354)
Reversal of impairments	1,541	-	-	-	-	-	-	-	1,541
Impairments	(64)	(46,398)	-	(29)	(96)	-	-	-	(46,587)
Reclassified as held for sale	(1,278)	(318)	-	-	-	-	-	-	(1,596)
Disposals	(763)	(2,555)	-	-	(23,282)	(486)	(9,364)	(644)	(37,094)
At 31 March 2017	379,216	2,473,597	49,800	173,796	555,014	5,235	131,143	29,293	3,797,094
Depreciation at 1 April 2016	515	323,604	5,868	1,792	361,168	5,325	78,790	15,696	792,758
Indexation	527	-	-	-	-	-	-	-	527
Transfers from/into other NHS bodies	-	-	-	-	(702)	(699)	(326)	(26)	(1,753)
Reclassifications	-	-	-	-	-	-	-	-	-
Revaluations	-	(51)	-	-	-	-	-	-	(51)
Reversal of impairments	(507)	-	-	-	-	-	-	-	(507)
Impairments	140	3,404	-	-	(74)	-	-	-	3,470
Reclassified as held for sale	-	(168)	-	-	-	-	-	-	(168)
Disposals	(467)	(2,303)	-	-	(23,187)	(486)	(9,374)	(644)	(36,461)
Provided during the year	-	80,186	1,463	-	41,232	277	13,448	2,638	139,244
At 31 March 2017	208	404,672	7,331	1,792	378,437	4,417	82,538	17,664	897,059
Net book value at 1 April 2016	367,820	2,007,437	43,786	224,451	155,819	935	38,681	11,062	2,849,991
Net book value at 31 March 2017	379,008	2,068,925	42,469	172,004	176,577	818	48,605	11,629	2,900,035
Net book value at 31 March 2017 comprises :									
Purchased	375,167	2,034,207	42,469	171,489	162,317	808	47,591	10,735	2,844,783
Donated	3,841	31,721	-	515	14,196	-	743	830	51,846
Government Granted	-	2,997	-	-	64	10	271	64	3,406
	379,008	2,068,925	42,469	172,004	176,577	818	48,605	11,629	2,900,035
Asset financing :									
Owned	367,068	1,977,577	40,251	172,004	174,915	818	48,605	11,629	2,792,867
Held on finance lease	-	2,087	-	-	1,213	-	-	-	3,300
On-SoFP PFI contracts	11,940	89,261	2,218	-	449	-	-	-	103,868
Total	379,008	2,068,925	42,469	172,004	176,577	818	48,605	11,629	2,900,035

The net book value of land, buildings and dwellings at 31 March 2017 comprises :

	£'000
Freehold	2,382,147
Long Leasehold	82,174
Short Leasehold	26,081
	2,490,402

10. Property, plant and equipment (continued)

10.2 Non-current assets held for sale

	Land	Buildings, including dwelling	Total
	£'000	£'000	£'000
Balance brought forward 1 April 2017	3,953	150	4,103
Plus assets classified as held for sale in the year	1,211	74	1,285
Less assets sold in the year	(4,204)	(150)	(4,354)
Less impairment of assets held for sale	(79)	-	(79)
Balance carried forward 31 March 2018	<u>881</u>	<u>74</u>	<u>955</u>
Balance brought forward 1 April 2016	2,783	365	3,148
Plus assets classified as held for sale in the year	2,552	150	2,702
Less assets sold in the year	(108)	(365)	(473)
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(1,274)	-	(1,274)
Balance carried forward 31 March 2017	<u>3,953</u>	<u>150</u>	<u>4,103</u>

11. Intangible non-current assets

	Software (purchased)	Licences and trademarks	Development expenditure- internally generated	Carbon Reduction Commitment	Total
	£'000	£'000	£000	£'000	£'000
Cost or valuation at 1 April 2017	19,361	4,689	-	-	24,050
Reclassifications	124	-	-	-	124
Additions- purchased	1,835	1,167	-	573	3,575
Additions- internally generated	-	-	74	-	74
Additions- donated	33	-	-	-	33
Disposals	(361)	(63)	-	(208)	(632)
Gross cost at 31 March 2018	20,992	5,793	74	365	27,224
Amortisation at 1 April 2017	12,617	1,454	-	-	14,071
Provided during the year	2,351	939	-	-	3,290
Disposals	(361)	(63)	-	-	(424)
Amortisation at 31 March 2018	14,607	2,330	-	-	16,937
Net book value at 1 April 2017	6,744	3,235	-	-	9,979
Net book value at 31 March 2018	6,385	3,463	74	365	10,287
At 31 March 2018					
Purchased	6,023	3,463	-	365	9,851
Donated	361	-	-	-	361
Government Granted	1	-	-	-	1
Internally generated	-	-	74	-	74
Total at 31 March 2018	6,385	3,463	74	365	10,287

11. Intangible non-current assets

	Software (purchased)	Licences and trademarks	Carbon Reduction Commitment	Total
	£'000	£'000	£'000	£'000
Cost or valuation at 1 April 2016	17,534	3,288	51	20,873
Reclassifications	22	-	-	22
Additions- purchased	2,456	1,401	-	3,857
Additions- donated	174	-	-	174
Transfers	-	-	(51)	(51)
Disposals	(825)	-	-	(825)
Gross cost at 31 March 2017	19,361	4,689	-	24,050
Amortisation at 1 April 2016	11,190	737	-	11,927
Provided during the year	2,232	717	-	2,949
Disposals	(805)	-	-	(805)
Amortisation at 31 March 2017	12,617	1,454	-	14,071
Net book value at 1 April 2016	6,344	2,551	51	8,946
Net book value at 31 March 2017	6,744	3,235	-	9,979
At 31 March 2017				
Purchased	6,276	3,235	-	9,511
Donated	467	-	-	467
Government Granted	1	-	-	1
Total at 31 March 2017	6,744	3,235	-	9,979

12. Impairments

	2017-18	2016-17
	Property, plant & equipment £'000	Property, plant & equipment £'000
Impairments arising from :		
Abandonment in the course of construction	13	7
Changes in market price	87,390	298
Others	38,409	48,638
Reversal of impairments	(43,503)	(934)
Total of all impairments	82,309	48,009
Analysis of impairments charged to reserves in year :		
Charged to the Statement of Comprehensive Net Expenditure	35,480	47,845
Charged to Revaluation Reserve	46,829	164
	82,309	48,009

13.1 Inventories

	31 March 2018	31 March 2017
	£'000	£'000
Drugs	22,816	23,248
Consumables	36,288	37,061
Energy	892	836
Work in progress	-	-
Other	49	55
Total	60,045	61,200
Of which held at realisable value	-	-

13.2 Inventories recognised in expenses

Inventories recognised as an expense in the period	1,956	2,167
Write-down of inventories (including losses)	238	206
Reversal of write-downs that reduced the expense	-	-
Total	2,194	2,373

Only stock which has been resold to other parties is included in this note.

14. Trade and other receivables

Current	31 March 2018 £'000	31 March 2017 £'000
Welsh Government	9,945	6,284
Welsh NHS Trusts	8,454	4,259
Non - Welsh Trusts	3,659	4,431
Other NHS	4,571	2,989
Welsh Risk Pool	324,555	281,349
Local Authorities	22,218	13,455
Capital debtors	260	53
Other debtors	57,952	59,526
Provision for irrecoverable debts	(14,000)	(11,473)
Other prepayments	22,229	25,108
Other accrued income	3,063	3,103
Sub total	442,906	389,084
Non-current		
Welsh Risk Pool	408,150	298,986
Other debtors	5,187	5,481
Provision for irrecoverable debts	(1,530)	(1,672)
Other prepayments and accrued income	1,200	1,252
Other accrued income	2,402	2,373
Sub total	415,409	306,420
Total	858,315	695,504
Receivables past their due date but not impaired		
By up to three months	15,424	15,890
By three to six months	3,815	1,925
By more than six months	7,437	6,894
	26,676	24,709
Provision for impairment of receivables		
Balance at 1 April	(13,145)	(12,640)
Amount written off during the year	487	525
Amount recovered during the year	1,142	779
(Increase) / decrease in receivables impaired	(4,020)	(1,810)
Bad debts recovered during year	6	1
Balance at 31 March	(15,530)	(13,145)
Receivables VAT		
Trade receivables	4,565	4,531
Other	2,894	3,808
Total	7,459	8,339

15. Other Financial Assets

	Current		Non-current	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Financial assets				
Shares and equity type investments :				
Loans at amortised cost	32	31	693	724
At fair value through SoCNE	327	330	-	-
Available for sale at FV	167	-	-	-
Total	526	361	693	724

16. Cash and cash equivalents

	2017-18	2016-17
	£'000	£'000
Balance at 1 April	15,353	13,122
Net change in cash and cash equivalent balances	4,702	2,231
Balance at 31 March	20,055	15,353
Made up of:		
Cash held at Office of HM Paymaster General / GBS	20,032	13,461
Commercial banks	(73)	1,539
Cash in hand	431	353
Cash and cash equivalents as in Statement of Financial Position	20,390	15,353
Bank overdraft - Office of HM Paymaster General /GBS	(335)	-
Cash and cash equivalents as in Statement of Cash Flows	20,055	15,353

17. Trade and other payables

Current	31 March 2018 £'000	31 March 2017 £'000
Welsh Government	98	88
Welsh NHS Trusts	14,042	13,694
Other NHS	75,668	58,977
Taxation and social security payable / refunds	18,980	24,780
VAT payable to HMRC	297	107
Other taxes payable to HMRC	9,041	8,767
NI contributions payable to HMRC	27,625	25,935
Non-NHS creditors	131,479	139,208
Local Authorities	57,665	48,951
Capital Creditors	56,443	64,129
Obligations under finance leases, HP contracts	581	568
Imputed finance lease element of on SoFP PFI contracts	4,093	3,323
Pensions: staff	22,731	20,508
Accruals	357,130	330,356
Deferred Income:		
Deferred Income brought forward	3,226	9,196
Deferred Income Additions	4,419	853
Released to SoCNE	(1,035)	(6,822)
Other creditors	42,898	40,004
PFI assets –deferred credits	104	108
Payments on account	(17,716)	(18,846)
Total	807,769	763,884
Non-current		
Obligations under finance leases, HP contracts	1,089	1,671
Imputed finance lease element of on SoFP PFI contracts	60,168	64,246
PFI assets –deferred credits	101	202
Sub-total	61,358	66,119
Total	869,127	830,003

18. Other financial liabilities

No other financial liabilities were reported by LHB's.

19. Provisions

	At 1 April 2017	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer of provisions between current and non- current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current									
Clinical negligence	224,747	(12,185)	(5,468)	24,268	161,592	(81,150)	(56,241)	(2,473)	253,090
Personal injury	8,953	-	(181)	(157)	10,652	(5,264)	(4,657)	94	9,440
All other losses and special payments	144	-	-	-	1,578	(1,644)	(29)	-	49
Defence legal fees and other administration	10,046	-	-	(281)	8,929	(4,484)	(5,336)	-	8,874
Pensions relating to former directors	2	-	-	4	-	(2)	-	-	4
Pensions relating to other staff	1,876	-	-	1,490	438	(1,825)	(224)	44	1,799
Other	12,742	-	(126)	(391)	22,401	(7,440)	(3,572)	-	23,614
Total	258,510	(12,185)	(5,775)	24,933	205,590	(101,809)	(70,059)	(2,335)	296,870
Non Current									
Clinical negligence	297,069	-	(3,200)	(24,268)	179,371	(7,255)	(36,925)	(722)	404,070
Personal injury	19,855	-	-	157	911	-	(161)	8	20,770
All other losses and special payments	-	-	-	-	-	-	-	-	-
Defence legal fees and other administration	3,458	-	-	281	1,836	(376)	(129)	-	5,070
Pensions relating to former directors	20	-	-	(4)	-	-	-	-	16
Pensions relating to other staff	12,585	-	-	(1,490)	518	-	(150)	2	11,465
Other	6,170	-	-	391	1,843	(1,042)	(1,938)	-	5,424
Total	339,157	-	(3,200)	(24,933)	184,479	(8,673)	(39,303)	(712)	446,815
TOTAL									
Clinical negligence	521,816	(12,185)	(8,668)	-	340,963	(88,405)	(93,166)	(3,195)	657,160
Personal injury	28,808	-	(181)	-	11,563	(5,264)	(4,818)	102	30,210
All other losses and special payments	144	-	-	-	1,578	(1,644)	(29)	-	49
Defence legal fees and other administration	13,504	-	-	-	10,765	(4,860)	(5,465)	-	13,944
Pensions relating to former directors	22	-	-	-	-	(2)	-	-	20
Pensions relating to other staff	14,461	-	-	-	956	(1,825)	(374)	46	13,264
Other	18,912	-	(126)	-	24,244	(8,482)	(5,510)	-	29,038
Total	597,667	(12,185)	(8,975)	-	390,069	(110,482)	(109,362)	(3,047)	743,685

Expected timing of cash flows:

	In year to 31 March 2019	Between 1 April 2019- 31 March 2023	Thereafter	Total
	£'000	£'000	£'000	£'000
Clinical negligence	253,090	397,086	6,984	657,160
Personal injury	9,440	8,525	12,245	30,210
All other losses and special payments	49	-	-	49
Defence legal fees and other administration	8,874	5,070	-	13,944
Pensions relating to former directors	4	16	-	20
Pensions relating to other staff	1,799	8,290	3,175	13,264
Other	23,614	5,031	393	29,038
Total	296,870	424,018	22,797	743,685

19. Provisions (continued)

	At 1 April 2016	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer of provisions between current and non- current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2017
	£'000	£000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current									
Clinical negligence	199,989	(24,003)	(10,986)	(9,196)	171,960	(54,639)	(47,183)	(1,195)	224,747
Personal injury	9,875	-	(54)	717	7,063	(4,792)	(4,044)	188	8,953
All other losses and special payments	185	-	-	-	2,056	(2,056)	(41)	-	144
Defence legal fees and other administration	9,006	-	-	1,300	8,795	(3,800)	(5,255)	-	10,046
Pensions relating to former directors	2	-	-	4	-	(4)	-	-	2
Pensions relating to other staff	1,737	-	-	873	1,067	(1,913)	(24)	136	1,876
Other	14,902	-	(496)	543	7,140	(4,099)	(5,248)	-	12,742
Total	235,696	(24,003)	(11,536)	(5,759)	198,081	(71,303)	(61,795)	(871)	258,510
Non Current									
Clinical negligence	182,796	-	-	9,196	115,539	(4,018)	(6,418)	(26)	297,069
Personal injury	18,796	-	-	(717)	1,731	-	-	45	19,855
All other losses and special payments	-	-	-	-	-	-	-	-	-
Defence legal fees and other administration	3,277	-	-	(1,300)	1,995	(267)	(247)	-	3,458
Pensions relating to former directors	23	-	-	(4)	1	-	-	-	20
Pensions relating to other staff	13,232	-	-	(873)	438	-	(223)	11	12,585
Other	4,756	-	-	(543)	4,213	(268)	(1,988)	-	6,170
Total	222,880	-	-	5,759	123,917	(4,553)	(8,876)	30	339,157
TOTAL									
Clinical negligence	382,785	(24,003)	(10,986)	-	287,499	(58,657)	(53,601)	(1,221)	521,816
Personal injury	28,671	-	(54)	-	8,794	(4,792)	(4,044)	233	28,808
All other losses and special payments	185	-	-	-	2,056	(2,056)	(41)	-	144
Defence legal fees and other administration	12,283	-	-	-	10,790	(4,067)	(5,502)	-	13,504
Pensions relating to former directors	25	-	-	-	1	(4)	-	-	22
Pensions relating to other staff	14,969	-	-	-	1,505	(1,913)	(247)	147	14,461
Other	19,658	-	(496)	-	11,353	(4,367)	(7,236)	-	18,912
Total	458,576	(24,003)	(11,536)	-	321,998	(75,856)	(70,671)	(841)	597,667

20. Contingencies

20.1 Contingent liabilities

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

	2017-18	2016-17
	£'000	
Legal claims for alleged medical or employer negligence	823,331	860,010
Defence costs	15,972	20,146
Continuing Care health costs	60,085	30,456
Other	25	10
Total value of disputed claims	899,413	910,622
Less amounts recovered in the event of claims being successful	(805,010)	(842,965)
Net contingent liability	94,403	67,657

20.2 Contingent assets

The LHBs have no contingent asset disclosures.

21. Capital commitments

Contracted capital commitments at 31 March for	2017-18	2016-17
	£'000	£'000
Property, plant and equipment	262,225	86,943
Intangible assets	158	444
Total	262,383	87,387

22. 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 2018		Approved to write-off to 31 March 2018	
	Number	£	Number	£
Clinical negligence	792	91,377,954	441	41,609,872
Personal injury	335	4,792,149	198	5,438,484
All other losses and special payments	1201	1,894,241	1173	1,611,887
Total	2,328	98,064,344	1,812	48,660,243

Analysis of cases which exceed £300,000

	Cases over £300,000, paid out during the year		Cumulative interim payments over £300,000	
	Number	£	Number	£
Clinical negligence	50	61,088,229	129	171,531,490
Personal injury			4	1,673,676
Total	50	61,088,229	133	173,205,166

23. Finance leases obligations (as lessee)

Amounts payable under finance leases:

Buildings	31 March 2018	31 March 2017
	£'000	£'000
Minimum lease payments		
Within one year	237	238
Between one and five years	424	661
Less finance charges allocated to future periods	(12)	(21)
Minimum lease payments	649	878
Included in:		
Current borrowings	231	229
Non-current borrowings	418	649
	649	878
Present value of minimum lease payments		
Within one year	224	222
Between one and five years	385	589
Present value of minimum lease payments	609	811
Included in:		
Current borrowings	-	-
Non-current borrowings	-	-
	-	-
Other	31 March 2018	31 March 2017
	£'000	£'000
Minimum lease payments		
Within one year	380	380
Between one and five years	689	1,070
Less finance charges allocated to future periods	(49)	(89)
Minimum lease payments	1,020	1,361
Included in:		
Current borrowings	350	339
Non-current borrowings	670	1,022
	1,020	1,361
Present value of minimum lease payments		
Within one year	348	336
Between one and five years	655	994
Present value of minimum lease payments	1,003	1,330
Included in:		
Current borrowings	258	246
Non-current borrowings	481	739
	739	985

24. Private Finance Initiative contracts

24.1 Commitments under off-SoFP PFI contracts	Off-SoFP PFI contracts	Off-SoFP PFI contracts
	31 March 2018 £'000	31 March 2017 £'000
Total payments due within one year	1,306	1,273
Total payments due between 1 and 5 years	3,864	4,345
Total payments due thereafter	3,661	4,437
Total future payments in relation to PFI contracts	8,831	10,055
Total estimated capital value of off-SoFP PFI contracts	4,482	4,482

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

	On SoFP PFI Capital element	On SoFP PFI Imputed interest	On SoFP PFI Service charges
	31 March 2018 £'000	31 March 2018 £'000	31 March 2018 £'000
Total payments due within one year	4,094	6,933	9,271
Total payments due between 1 and 5 years	16,654	26,241	41,925
Total payments due thereafter	43,513	50,281	65,229
Total future payments in relation to PFI contracts	<u>64,261</u>	<u>83,455</u>	<u>116,425</u>
	On SoFP PFI Capital element	On SoFP PFI Imputed interest	On SoFP PFI Service charges
	31 March 2017 £'000	31 March 2017 £'000	31 March 2017 £'000
Total payments due within one year	3,323	6,747	9,655
Total payments due between 1 and 5 years	16,354	26,906	39,253
Total payments due thereafter	47,892	56,551	75,004
Total future payments in relation to PFI contracts	<u>67,569</u>	<u>90,204</u>	<u>123,912</u>
Total present value of obligations for on-SoFP PFI contracts	107,240		

24. Private Finance Initiative contracts

24.3 Charges to expenditure	2017-18	2016-17
	£000	£000
Service charges for On Balance sheet PFI contracts (excl interest costs)	7,338	7,176
Total expense for Off Balance sheet PFI contracts	1,335	1,311
The total charged in the year to expenditure in respect of PFI contracts	<u>8,673</u>	<u>8,487</u>

The LHB is committed to the following annual charges

	31 March 2018	31 March 2017
PFI scheme expiry date:	£000	£000
Not later than one year	2,293	2,198
Later than one year, not later than five years	9,576	9,056
Later than five years	32,363	33,215
Total	<u>44,232</u>	<u>44,469</u>

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

24.4 Number of PFI contracts

	Number of on SoFP PFI contracts	Number of off SoFP PFI contracts
Number of PFI contracts	8	2
Number of PFI contracts which individually have a total commitment > £500m	0	0

25. 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.

26. Movements in working capital

	2017-18 £'000	2016-17 £'000
Decrease / (increase) in inventories	1,155	(1,137)
(Increase) in trade and other receivables - non-current	(108,958)	(114,488)
(Increase) / decrease in trade and other receivables -current	(53,987)	(39,700)
(Decrease) in trade and other payables- non-current	(4,761)	(4,557)
Increase / (decrease) in trade and other payables- current	43,885	50,548
Total	(122,666)	(109,334)
Adjustment for accrual movements in fixed assets -creditors	7,686	(30,726)
Adjustment for accrual movements in fixed assets -debtors	207	12
Other adjustments	104	343
Total	(114,669)	(139,705)

27. Other cash flow adjustments

	2017-18 £'000	2016-17 £'000
Depreciation	144,191	139,244
Amortisation	3,290	2,949
(Gains)/Loss on Disposal	(8,051)	(593)
Impairments and reversals	37,758	47,845
Release of PFI deferred credits	(105)	(292)
Donated assets received credited to revenue but non-cash	(9,326)	(7,209)
Government Grant assets received credited to revenue but non-cash	(19)	(1,648)
Non-cash movements in provisions	256,500	215,811
Total	424,238	396,107

28. Events after the end of the Reporting Period

No Health Boards have disclosed any events after the Reporting Period.

29. 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.

30. Third Party Assets

The details of the third party assets held by Local Health Boards can be found in the underlying accounts.

31. Other

IFRS 9

IFRS 9 Financial Instruments is effective from the 1st January 2018 and will be applicable for public sector reporting as adapted in the Financial Reporting Manual (FReM) for the 2018-19 financial year.

Initial application impacts for the 2018-19 accounts will be recognised in opening retained earnings, as mandated by the FReM.

The principal impact of IFRS9 adoption will be to change the calculation basis for bad debt provisions, changing from an incurred loss basis to a lifetime expected credit loss basis. The FReM mandates the application of the simplified approach to impairment under the standard, requiring for short and long term receivables the recognition of a loss allowance for an amount equal to lifetime expected credit losses.

The impact of adopting IFRS9 in 2018-19 is not expected to have a material impact. Disclosure and presentation requirements of IFRS9 will be applied as required by the FReM and in accordance with the principles of streamlining and materiality.

IFRS15

IFRS 15 Revenue from Contracts with Customers is effective from the 1st January 2018 and will be applicable for public sector reporting as adapted in the Financial Reporting Manual (FReM) for the 2018-19 financial year.

The NHS Wales Technical Accountants Group and the Welsh Government (as a Relevant Authority) are considering the detail of application of IFRS15 for Local Health Boards and NHS Trusts in Wales.

Final application guidance will be issued in the NHS Wales Manuals for Accounts for 2018-19.

Any initial application impacts arising for the 2018-19 accounts will be recognised in opening retained earnings, as mandated by the FReM.

No material impacts are anticipated as a consequence of IFRS15 becoming effective in the FReM for 2018-19.

**THE NATIONAL HEALTH SERVICE – 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 SERVICES (WALES) ACT 2006**

1. HM Treasury directs that an account, summarised by consolidation, of the Local Health Boards in Wales shall be prepared in respect of the financial year ended 31 March 2014, and subsequent financial years. The basis of preparation and form of accounts shall be as set out in the following paragraphs and Schedules.

BASIS OF PREPARATION

2. The summarised account of the Local Health Boards in Wales shall be prepared from the audited accounts of the 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 2014, 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 reporting 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 these reporting requirements is inconsistent with the requirement to give a true and fair view, the requirements 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 with HM Treasury.

7. This direction supersedes all previous directions.

Ross Campbell
Deputy Director, Government Financial Reporting
HM Treasury
10 February 2014

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 Local Health Boards 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 Local Health Boards, the information relating to Local Health Boards shall be contained in the foreword.

Accounting Standards

3. Local Health Boards are not required to include a note showing the historical cost profits and losses.

SCHEDULE 2

ADDITIONAL REQUIREMENTS

Foreword

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 Local Health Boards to which it relates together with a fair review of their operational and financial activities, and a summary of their performance against targets.

Governance statement

3. The Additional Accounting Officer for the NHS in Wales shall prepare a Governance Statement in relation to the summarised account of Local Health Boards in Wales (there are separate Accounts Directions for Local Health Boards). The Governance Statement shall include information about the arrangements in place to assure the quality of the financial and other information included in the summarised account, including the role of Internal Audit.
4. The Governance Statement shall include information about the relationship between the Additional Accounting Officer for the NHS in Wales and officials appointed by the Department for Health and Social Services to assist in the preparation of the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments).

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 Health, Social Services 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.

Summarised Accounts of the NHS Trusts in Wales

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

Report on the audit of the financial statements

Opinion

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 2018 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, including a summary of significant accounting policies, and the financial duties note in Annex 2. 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 (IFRS) as adopted by the European Union.

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 2018 and of their surplus 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.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the NHS Trusts in Wales in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
 - the Additional Accounting Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the NHS Trusts in Wales' ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.
-

Other information

The Additional Accounting Officer is responsible for the other information in the accounts which comprises the Foreword and Annual Governance Statement. My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on Regularity

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

Report on other requirements

Opinion on other matters

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

- the information contained in the Foreword for the financial year for which the financial statements are prepared is consistent with the financial statements and the Foreword has been prepared in accordance with applicable legal requirements; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and the Annual Governance Statement has been prepared in accordance with HM Treasury guidance.

Matters on which I report by exception

In the light of the knowledge and understanding of the NHS Trusts in Wales and their environment obtained in the course of the audit, I have not identified material misstatements in the Foreword or the Annual Governance Statement.

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

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

Responsibilities

Responsibilities of the Additional Accounting Officer for the financial statements

As explained more fully in the Statement of the Welsh Government and 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 being satisfied that they give a true and fair view, and for such internal control as the Additional Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Responsibilities for regularity

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

I am responsible for expressing an opinion on whether 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.

Huw Vaughan Thomas
Auditor General for Wales
3 July 2018

24 Cathedral Road
Cardiff
CF11 9LJ

STATEMENT OF COMPREHENSIVE NET INCOME AND EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2018

		2017-18	2016-17
	Note	£000	£000
Revenue from patient care activities	2	663,549	602,337
Other operating revenue	3	341,783	323,455
Operating expenses	4	(1,010,697)	(928,154)
Operating (deficit)/surplus		(5,365)	(2,362)
Investment revenue	5	122	74
Other gains and losses	6	314	1,482
Finance costs	7	5,081	1,293
Retained surplus		152	487
Other Comprehensive Income			
Net gain/(loss) on revaluation of property, plant and equipment		3,858	918
Impairments and reversals		(954)	(21)
Total other comprehensive income for the year		2,904	897
Items that may be reclassified subsequently to net operating costs			
Total Comprehensive Income for the year		3,056	1,384

The notes on pages 11 to 48 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Note	31 March 2018 £000	31 March 2017 £000 Reclassified
Non-current assets			
Property, plant and equipment	12	198,804	198,088
Intangible assets	13	23,142	23,569
Trade and other receivables	17	782,805	610,105
Total non-current assets		1,004,751	831,762
Current assets			
Inventories	16	8,037	7,169
Trade and other receivables	17	387,802	341,446
Cash and cash equivalents	18	36,451	35,142
		432,290	383,757
Total assets		1,437,041	1,215,519
Current liabilities			
Trade and other payables	19	(141,669)	(115,161)
Borrowings	20	(1,550)	(1,558)
Provisions	22	(283,361)	(260,527)
Total current liabilities		(426,580)	(377,246)
Net current assets/(liabilities)		5,710	6,511
Total assets less current liabilities		1,010,461	838,273
Non-current liabilities			
Trade and other payables	19	(622)	(259)
Borrowings	20	(994)	(2,503)
Provisions	22	(791,331)	(618,543)
Total non-current liabilities		(792,947)	(621,305)
Total assets employed		217,514	216,968
Financed by:			
Taxpayers' equity			
Public dividend capital		172,746	175,256
Retained earnings		8,231	5,989
Revaluation reserve		36,537	35,723
Total taxpayers' equity		217,514	216,968

The notes on pages 11 to 48 form part of these accounts.



Dr Andrew Goodall
 Director General, Health and Social Services, Chief Executive NHS Wales.

29th June 2018

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31 MARCH 2018

2017-18	Public Dividend Capital £000	Retained earnings £000	Revaluation reserve £000	Total £000
Balance as at 1 April 2017	175,256	5,989	35,723	216,968
Changes in taxpayers' equity for 2017-18				
Retained surplus/(deficit) for the year		152	-	152
Net gain on revaluation of property, plant and equipment		-	3,858	3,858
Impairments and reversals		-	(954)	(954)
Transfers between reserves		2,090	(2,090)	-
New Public Dividend Capital received	960			960
Public Dividend Capital repaid in year	(3,470)			(3,470)
Balance at 31 March 2018	172,746	8,231	36,537	217,514

The notes on pages 11 to 48 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31 MARCH 2017

2016-17

	Public Dividend Capital £000	Retained earnings £000	Revaluation reserve £000	Total £000
Balance at 1 April 2016	167,258	4,219	36,109	207,586
Changes in taxpayers' equity for 2016-17				
Retained surplus/(deficit) for the year		487	-	487
Net gain on revaluation of property, plant and equipment		-	918	918
Impairments and reversals		-	(21)	(21)
Movements in other reserves		110	(110)	-
Transfers between reserves		1,173	(1,173)	-
New Public Dividend Capital received	7,998			7,998
Balance at 31 March 2017	175,256	5,989	35,723	216,968

The notes on pages 11 to 48 form part of these accounts.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Note	2017-18 £000	2016-17 £000
Cash flows from operating activities			Reclassified
Operating surplus/(deficit)	SoI&E	(5,365)	(2,362)
Depreciation and amortisation		35,548	32,756
Impairments and reversals		3,570	5,750
Donated Assets received credited to revenue but non cash		(5)	(392)
Interest paid		(189)	(238)
(Increase)/decrease in inventories		(868)	515
(Increase)/decrease in trade and other receivables		(219,078)	(186,557)
Increase/(decrease) in trade and other payables		22,081	(273,139)
Increase/(decrease) in provisions		200,892	468,151
Net cash inflow/(outflow) from operating activities		36,586	44,484
 Cash flows from investing activities			
Interest received		122	74
(Payments) for property, plant and equipment		(29,991)	(43,353)
Proceeds from disposal of property, plant and equipment		1,053	2,015
(Payments) for intangible assets		(2,349)	(6,457)
Net cash inflow/(outflow) from investing activities		(31,165)	(47,721)
 Net cash inflow/(outflow) before financing		5,421	(3,237)
 Cash flows from financing activities			
Public Dividend Capital received		960	8,052
Public Dividend Capital repaid		(3,470)	-
Capital elements of finance leases and on SoFP PFI		(1,602)	(1,875)
Net cash inflow/(outflow) from financing activities		(4,112)	6,177
 Net increase/(decrease) in cash and cash equivalents		1,309	2,940
 Cash [and] cash equivalents [and bank overdrafts] at the beginning of the financial year	18	35,142	32,202
 Cash [and] cash equivalents [and bank overdrafts] at the end of the financial year	18	36,451	35,142

The notes on pages 11 to 48 form part of these accounts.

Notes to the Accounts

1. Accounting policies

The Cabinet Secretary for Health and Social Services has directed that the financial statements of NHS Trusts in Wales shall meet the accounting requirements of the NHS Trust Manual for Accounts. Consequently, the following financial statements have been prepared in accordance with the 2017-18 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 trust 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 Revenue

The main source of revenue for the trusts is from 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.

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

1.3 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 yet taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

1.4 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 trust 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 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 for the period are recognised in the pensions reserve and reported as an item of other comprehensive income.

Other Pensions Disclosure National employment Savings Trust (NEST)

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

1.5 Other expenses

Other operating expenses for goods or services are recognised when 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 the Trust, or service potential will be supplied;
 - 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 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 trust's services or for administrative purposes are stated in the balance sheet at their revalued amounts 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

From 1 April 2009 the depreciated replacement cost valuation applies the Modern Equivalent Asset (MEA) cost basis of estimation to arrive at the cost of replacing the capacity and utility of a building rather than a like for like replacement cost.

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.

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

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

Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use, if there are restrictions on the entity or the asset which would prevent access to the market at the reporting date. If the Trust could access the market then the surplus asset should be used at fair value using IFRS 13.

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

In 2017-18 a formal revaluation exercise by the District Valuation Office was applied to the Land and Properties of NHS Wales Trusts. 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. The accounting policy for this treatment changed in 2014/15, prior to which 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.

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

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 trust's 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 £5,000.

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

- the technical feasibility of completing the intangible asset so that it will be available for use;
- the intention to complete the intangible asset and use it;
- the ability to 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; or
- 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, assets under construction and assets held for sale are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the Trust expects 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 trust checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

Impairment losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the 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 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 trust 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 on interest on the remaining balance of the liability. Finance charges are recognised in calculating the trust's 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.

1.10 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 trust's cash management.

1.11 Provisions

Provisions are recognised when the trust has a present legal or constructive obligation as a result of a past event, it is probable that the trust 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 discount rates supplied by HM Treasury.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the 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 trust 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 trust 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.

1.12 Clinical Negligence Costs

The Welsh Risk Pool (WRP) operates a risk pooling scheme which is co-funded by the Welsh Government with the option to access a risk sharing agreement funded by the participative NHS Wales bodies. The risk sharing option was not implemented in 2017-18. The WRP is hosted by Velindre NHS Trust as part of the NWSSP transfer. The WRP accounts are consolidated into the summarised NHS trust account.

1.13 Financial assets

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

Financial assets are initially recognised at fair value.

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

1.14 Financial liabilities

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

Loans from the Welsh Government are recognised at historical cost.

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.

1.15 Value Added Tax

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

1.16 Donated assets

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.

1.17 Government grants

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.

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

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

1.19 Critical Accounting Judgements in applying accounting policies

There are no critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

1.20 Key sources of estimation uncertainty

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

The amount recognised as provisions give rise to significant judgement and uncertainty. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking in to account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. A change in the assumptions could cause an increase or decrease in the amounts recognised as a provision which could materially impact the results of operations.

1.21 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 trust, 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.

1.22 Accounting standards that have been issued but have not yet been adopted

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

IFRS 9 Financial Instruments to be adopted in 2018-19
IFRS14 Regulatory Deferral Accounts;
IFRS15 Revenue from contracts with customers to be adopted in 2018-19; and
IFRS 16 Leases

1.23 Accounting standards issued that have been adopted early

During 2017-18 there have been no accounting standards that have been adopted early. All early adoption of accounting standards will be led by HM Treasury.

1.24 Charities

From 2013-14 Velindre NHS Trust consolidated their NHS charitable funds for which they are the corporate trustee. On the basis that the charitable funds consolidation will be dealt with in the underlying accounts and that the consolidation is not material at the Summarised Account level the NHS Trust Summarised Account will not summarise any charitable funds elements.

1.25 Public Dividend Capital (PDC) and PDC dividend

Public Dividend Capital represents taxpayers equity in the NHS Trust. At any time the Cabinet Secretary for Health and Social Services can issue new PDC to, and require repayments of, PDC from the NHS Trust. 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.

Summarised Accounts of NHS Trusts in Wales 2017-18

2. Revenue from patient care activities	2017-18	2016-17
	£000	£000
Welsh Government	399,501	353,157
WHSSC & EASC	179,097	170,094
Local health boards	81,595	75,982
Other NHS Trusts	14	10
Other NHS England bodies	757	16
Foundation Trusts	-	127
Local Authorities	2	2
Non NHS:		
Private patient income	2,079	1,845
Injury Costs Recovery (ICR) Scheme	353	408
Other revenue from activities	151	696
Total	663,549	602,337

ICR income is subject to a provision for impairment of 22.84% to reflect expected rates of collection.

3. Other operating revenue	2017-18	2016-17
	£000	£000
Education, training and research	5,026	5,560
Charitable and other contributions to expenditure	4,555	3,245
Receipt of donations for capital acquisitions	5	392
Non-patient care services to other bodies	717	768
Income generation	972	812
Rental revenue from operating leases	110	79
Other revenue:		
Provision of pathology/microbiology services	15,943	15,208
Accommodation and catering charges	149	161
Staff payments for use of cars	563	487
Other	313,743	296,743
Total	341,783	323,455

Other revenue includes:

NHS Wales Shared Services Partnership (NWSSP)	232,647	214,677
NHS Wales Informatics Services (NWIS)	56,615	53,568
PHW WG and LHB Non core Income	14,852	8,264
Ambulance Radio Replacement Programme (ARRP)	-	2,250
Hazardous Area Response Team (HART)	2,288	2,226
Staff Recharges	2,985	2,298
Personal injury benefit scheme (PIBS)	339	1,644
Air Ambulance paramedic funding	121	716
Other	3,896	11,100
Total	313,743	296,743

4. Operating expenses

	2017-18	2016-17
	£000	£000
4.1 Operating expenses		
Welsh Government	8	34
WHSSC & EASC	146	-
Local Health Boards	19,650	17,472
Other NHS Trusts	126	163
Goods and services from other NHS bodies	105	244
Purchase of healthcare from non-NHS bodies	2,256	2,234
Local Authorities	4,525	4,627
Directors' costs	3,819	3,399
Staff costs	348,782	331,990
Supplies and services - clinical	59,468	53,109
Supplies and services - general	38,359	41,405
Consultancy Services	2,433	3,311
Establishment	24,535	26,030
Transport	16,299	15,254
Premises	42,786	37,523
Depreciation	26,570	24,972
Amortisation	8,978	7,784
Impairments and reversals of property, plant and equipment	3,570	5,750
Audit fees	521	485
Losses, special payments and irrecoverable debts	303,581	263,268
Other operating expenses	104,180	89,100
Total	1,010,697	928,154

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

	2017-18	2016-17
	£000	£000
Increase/(decrease) in provision for future payments:		
Clinical negligence	269,325	248,001
Personal injury	4,940	5,184
All other losses and special payments	426	429
Defence legal fees and other administrative costs	2,573	2,095
Gross increase/(decrease) in provision for future payments	277,264	255,709
Welsh Risk Pool creditor movement	32,359	6,773
Irrecoverable debts	25	(151)
Less: income received/ due from Welsh Risk Pool	(6,067)	937
Total charge	303,581	263,268

Personal injury includes £546k in respect of permanent injury benefits [2016-17 £1,909k].

Summarised Accounts of NHS Trusts in Wales 2017-18

5. Investment revenue	2017-18	2016-17
	£000	£000
Interest revenue:		
Bank accounts	122	74
Total	122	74

6. Other gains and losses	2017-18	2016-17
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	96	5
Gain/(loss) on disposal of assets held for sale	218	1,477
Total	314	1,482

7. Finance costs	2017-18	2016-17
	£000	£000
Interest on obligations under finance leases	189	238
Total interest expense	189	238
Provisions unwinding of discount	(5,651)	(2,047)
Periodical Payment Order unwinding of discount	381	516
Total	(5,081)	(1,293)

The finance costs of £(5,081k) [2016-17: £(1,293)k] includes £(5,288k) [2016-17: £(1,616k)] which relates to the Welsh Risk Pool unwinding of discount.

8. Operating leases

As lessee

There are some significant leasing arrangements where the Trusts are the lessee and the lease agreement exceeds 5 years. Detailed disclosures are included within the individual NHS trust accounts.

Payments recognised as an expense	2017-18	2016-17
	£000	£000
Minimum lease payments	6,436	6,395
Total	6,436	6,395

Total future minimum lease payments	2017-18	2016-17
Payable:	£000	£000
Not later than one year	6,617	5,646
Between one and five years	16,311	13,940
After 5 years	8,934	10,618
Total	31,862	30,204

As lessor

The rental revenue relates to Vantage Point House part of which is leased to Aneurin Bevan LHB in respect of their GP Out of Hours Service.

Rental Revenue	2017-18	2016-17
	£000	£000
Other	110	79
Total rental revenue	110	79

Total future minimum lease payments	2017-18	2016-17
Receivable:	£000	£000
Not later than one year	72	72
Between one and five years	84	155
Total	156	227

9. Employee costs and numbers

9.1 Employee costs	Permanently Employed	Agency Staff	Staff on Inward Secondment	Other	2017-18	2016-17
					£000 Total	£000 Total
Salaries and wages	278,136	4,196	6,936	1,646	290,914	278,790
Social security costs	28,439	-	-	-	28,439	25,863
Employer contributions to NHS Pensions Scheme	35,094	-	-	-	35,094	34,500
Other pension costs	-	-	-	-	-	16
Total	341,669	4,196	6,936	1,646	354,447	339,169
Of the total above:						
Charged to capital					1,852	1,921
Charged to revenue					352,595	337,248
					354,447	339,169
Net movement in accrued employee benefits (untaken staff leave accrual included above)					48	(8)

Other Staff

Other staff include temporary workers paid directly by the Trust and staff sub contracted or recharged from other NHS or public bodies

9.2 Average number of employees

9.2 Average number of employees	Permanently Employed	Agency Staff	Staff on Inward Secondment	Other	2017-18	2016-17
					Total	Total
	Number	Number	Number	Number	Number	Number
Administrative, clerical and board members	3,509	74	66	26	3,675	3,488
Medical and dental	527	4	32	6	569	546
Nursing, midwifery registered	362	3	-	3	368	359
Professional, scientific and technical staff	555	10	-	3	568	533
Additional Clinical Services	1,622	4	-	-	1,626	1,555
Allied Health Professions	1,093	3	1	-	1,097	1,131
Healthcare scientists	130	1	-	2	133	128
Estates and Ancillary	353	14	-	9	376	366
Students	1	-	-	-	1	1
Total	8,152	113	99	49	8,413	8,107

9.3 Retirement costs due to ill-health

During 2017-18 there were 9 [2016-17 8] early retirements from the trusts agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements will be £416k [2016-17 £414k]. The cost of these ill-health will be borne by the NHS Business Services Authority - Pensions Division.

9.4 Employee benefits

Two of the three NHS trusts offer employee benefit schemes, details of which are disclosed in their statutory accounts.

10. Pension

10.1 Pension Costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary’s Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2018, is based on valuation data as 31 March 2017, updated to 31 March 2018 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016 and is currently being prepared. The direction assumptions are published by HM Treasury which are used to complete the valuation calculations, from which the final valuation report can be signed off by the scheme actuary. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this ‘employer cost cap’ assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

10.1 Pension Costs (continued)

c) National Employment Savings Trust (NEST)

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

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

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

Using qualifying earnings to calculate contributions, currently the legal minimum level of contributions is 2% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 1% of this. The legal minimum level of contribution level is increasing to 8% in April 2019.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £5,876 and £45,000 for the 2017-18 tax year (2016-17 £5,824 and £43,000).

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

11 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.

Summarised Accounts of NHS Trusts in Wales 2017-18

12. Property, plant and equipment :
2017-18

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport Equipment	Information Technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2017	25,666	93,865	256	26,739	61,469	74,121	57,151	3,538	342,805
Revaluation	1,701	(20,571)	(1)	-	-	-	-	-	(18,871)
Additions - purchased	-	3,025	-	21,211	1,052	606	6,073	594	32,561
Additions - donated	-	-	-	-	5	-	-	-	5
Reclassifications	-	4,160	-	(27,348)	7,244	7,953	3,974	146	(3,871)
Reclassified as held for sale	(375)	(375)	-	-	(815)	(5,020)	-	-	(6,585)
Disposals other than by sale	-	-	-	-	(3,061)	(483)	(3,191)	(40)	(6,775)
Impairments	(208)	(4,298)	-	-	(31)	-	(165)	-	(4,702)
Reversal of impairments	-	213	-	-	-	-	-	-	213
At 31 March 2018	26,784	76,019	255	20,602	65,863	77,177	63,842	4,238	334,780
Depreciation									
At 1 April 2017	-	26,423	54	-	35,478	46,822	33,944	1,996	144,717
Revaluation	-	(22,582)	(54)	-	-	-	-	-	(22,636)
Reclassifications	-	(258)	-	-	1,261	(1,005)	2	2	2
Reclassified as held for sale	-	(11)	-	-	(815)	(5,020)	-	-	(5,846)
Disposals other than by sale	-	-	-	-	(3,061)	(483)	(3,191)	(40)	(6,775)
Impairments	-	(13)	-	-	(5)	-	-	-	(18)
Reversal of impairments	-	(38)	-	-	-	-	-	-	(38)
Charged during the year	-	3,081	8	-	6,939	8,639	7,588	315	26,570
At 31 March 2018	-	6,602	8	-	39,797	48,953	38,343	2,273	135,976
Net book value at 1 April 2017	25,666	67,442	202	26,739	25,991	27,299	23,207	1,542	198,088
Net book value At 31 March 2018	26,784	69,417	247	20,602	26,066	28,224	25,499	1,965	198,804
Net book value at 31 March 2018 comprises :									
Purchased	26,784	64,741	247	20,602	25,888	28,224	25,489	1,965	193,940
Donated	-	4,676	-	-	178	-	6	-	4,860
Government Granted	-	-	-	-	-	-	4	-	4
At 31 March 2018	26,784	69,417	247	20,602	26,066	28,224	25,499	1,965	198,804
Asset Financing:									
Owned	26,784	69,252	247	20,602	26,063	28,224	23,286	1,963	196,421
Held on finance lease	-	165	-	-	3	-	2,213	2	2,383
At 31 March 2018	26,784	69,417	247	20,602	26,066	28,224	25,499	1,965	198,804

The net book value of land, buildings and dwellings at 31 March 2018 comprises :

	£000
Freehold	90,112
Long Leasehold	530
Short Leasehold	5,806
	96,448

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

**12. Property, plant and equipment (continued):
2016-17**

	Land	Buildings, excluding dwellings	Dwellings	Assets under construction and payments on account	Plant & machinery	Transport Equipment	Information Technology	Furniture and fittings	Total
	£000	£000	£000	£000	£000	£000	£000		£000
Cost or valuation									
At 1 April 2016	23,944	84,506	256	25,818	64,897	67,476	66,026	2,311	335,234
Indexation	918	-	-	-	-	-	-	-	918
Additions - purchased	-	2,977	-	25,667	2,914	1,327	5,899	982	39,766
Additions - donated	-	335	-	-	54	-	3	-	392
Transfers from/(into) other NHS bodies	-	-	-	-	1,044	718	397	26	2,185
Reclassifications	825	11,944	-	(24,746)	3,604	6,953	(1,860)	404	(2,876)
Reclassified as held for sale	(18)	-	-	-	(1,038)	(2,286)	-	-	(3,342)
Disposals other than by sale	-	(166)	-	-	(9,995)	(67)	(13,309)	(185)	(23,722)
Impairments	(3)	(5,731)	-	-	(11)	-	(5)	-	(5,750)
At 31 March 2017	25,666	93,865	256	26,739	61,469	74,121	57,151	3,538	342,805
Depreciation									
At 1 April 2016	-	23,384	48	-	40,040	39,836	41,763	2,005	147,076
Transfers from/(into) other NHS bodies	-	-	-	-	674	698	326	26	1,724
Reclassifications	-	(15)	-	-	21	3	(2,022)	(13)	(2,026)
Reclassified as held for sale	-	0	-	-	(1,038)	(2,280)	-	-	(3,318)
Disposals other than by sale	-	(166)	-	-	(9,983)	(67)	(13,310)	(185)	(23,711)
Charged during the year	-	3,220	6	-	5,764	8,632	7,187	163	24,972
At 31 March 2017	-	26,423	54	-	35,478	46,822	33,944	1,996	144,717
Net book value at 1 April 2016	23,944	61,122	208	25,818	24,857	27,640	24,263	306	188,158
Net book value At 31 March 2017	25,666	67,442	202	26,739	25,991	27,299	23,207	1,542	198,088
Net book value at 31 March 2017 comprises :									
Purchased	25,666	61,405	202	26,739	25,732	27,299	23,192	1,542	191,777
Donated	-	6,037	-	-	259	-	9	-	6,305
Government Granted	-	-	-	-	-	-	6	-	6
At 31 March 2017	25,666	67,442	202	26,739	25,991	27,299	23,207	1,542	198,088
Asset Financing:									
Owned	25,666	67,442	202	26,739	25,976	27,299	19,797	1,538	194,659
Held on finance lease	-	-	-	-	15	-	3,410	4	3,429
At 31 March 2017	25,666	67,442	202	26,739	25,991	27,299	23,207	1,542	198,088

The net book value of land, buildings and dwellings at 31 March 2017 comprises :

	£000
Freehold	88,623
Long Leasehold	334
Short Leasehold	4,353
	93,310

In April 2016 the Ambulance and Fire Service Resource Centre (AFSRC) in Wrexham was commissioned and brought into use. This is a joint facility for use by the Trust in conjunction with the North Wales Fire and Rescue Service (NWFRS). The land relating to this facility was purchased by this Trust for £0.825m and was reclassified in year from Assets under Construction. The element of build cost relating to NWFRS was recharged to NWFRS during the build. In order to provide NWFRS with security of tenure the Trust issued a 50 year lease for the economic life of the building in return for their initial contribution plus a peppercorn rent.

Following commissioning, the Trust arranged for a valuation of their share of the building to take place. This resulted in an impairment of £4.557m.

12.2 Non-current assets held for sale

	Land	Buildings, including dwellings	Other property plant and equipment	Total
	£000	£000	£000	£000
Balance b/f 1 April 2017	-	-	-	-
Plus assets classified as held for sale in year	375	364	-	739
Less assets sold in year	(375)	(364)	-	(739)
Balance c/f 31 March 2018	-	-	-	-
Balance b/f 1 April 2016	336	4	-	340
Plus assets classified as held for sale in year	68	-	6	74
Less assets sold in year	(354)	(4)	(6)	(364)
Less assets no longer classified as held for sale for reasons other than disposal by sale	(50)	-	-	(50)
Balance c/f 31 March 2017	-	-	-	-

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13. Intangible assets
2017-18

	Computer software purchased	Computer software internally developed	Licenses and trade-marks	Total
Cost or valuation	£000	£000	£000	£000
At 1 April 2017	48,704	2,724	5,335	56,763
Additions				
- purchased	3,159	788	731	4,678
Reclassifications	3,476	-	395	3,871
Disposals other than by sale	(569)	-	-	(569)
Gross cost at 31 March 2018	54,770	3,512	6,461	64,743
At 31 March 2018				
Amortisation				
At 1 April 2017	29,025	2,125	2,044	33,194
Reclassifications	(2)	-	-	(2)
Disposals other than by sale	(569)	-	-	(569)
Charged during the year	7,642	383	953	8,978
Accumulated amortisation at 31 March 2018	36,096	2,508	2,997	41,601
Net book value at 1 April 2017	19,679	599	3,291	23,569
Net book value at 31 March 2018	18,674	1,004	3,464	23,142
Net book value				
Purchased	18,663	-	3,464	22,127
Internally Generated	-	1,004	-	1,004
Donated	11	-	-	11
Total at 31 March 2018	18,674	1,004	3,464	23,142

13. Intangible assets (continued)
2016-17

	Computer software purchased	Computer software internally developed	Licenses and trade-marks	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 April 2016	54,150	6,310	4,186	64,646
Additions				
- purchased	4,905	74	1,144	6,123
- donated	1	-	-	1
Reclassifications	2,871	-	5	2,876
Disposals other than by sale	(13,223)	(3,660)	-	(16,883)
Gross cost at 31 March 2017	48,704	2,724	5,335	56,763
Amortisation				
Accumulated amortisation at 1 April 2016	33,621	5,340	1,299	40,260
Reclassifications	2,026	-	-	2,026
Disposals other than by sale	(13,219)	(3,657)	-	(16,876)
Charged during the year	6,597	442	745	7,784
Accumulated amortisation at 31 March 2017	29,025	2,125	2,044	33,194
Net book value at 1 April 2016	20,529	970	2,887	24,386
Net book value at 31 March 2017	19,679	599	3,291	23,569
Net book value				
Purchased	19,664	-	3,291	22,955
Internally Generated	-	599	-	599
Donated	15	-	-	15
Total at 31 March 2017	19,679	599	3,291	23,569

14. Impairments

	2017-18	2016-17
	Property, plant & equipment £000	Property, plant & equipment £000
Property Plant and Equipment		
Changes in market price	738	-
Other	3,083	5,750
Reversal of impairment	(251)	-
Impairments charged to operating expenses	3,570	5,750
Impairments charged in the year to		
Operating expenses in Statement of Comprehensive Income	3,570	5,750
Revaluation reserve directly	5,365	-
Total	8,935	5,750

15. Other financial assets

The NHS trusts have no other Financial Assets.

16.1 Inventories

	31 March	31 March
	2018	2017
	£000	£000
Drugs	1,489	1,016
Consumables	4,975	5,049
Other	1,573	1,104
Total	8,037	7,169

16.2 Inventories recognised in expenses

	31 March	31 March
	2018	2017
	£000	£000
Inventories recognised as an expense in the period	49,204	50,855
Write-down of inventories (including losses)	33	410
Reversal of write-downs that reduced the expense	(267)	-
Total	48,970	51,265

17. Trade and other receivables

	31 March	31 March
	2018	2017
17.1 Trade and other receivables	£000	£000
Current		
Welsh Government	356,584	313,780
WHSSC & EASC	525	838
Welsh Health Boards	13,794	12,835
Non - Welsh Trusts	69	44
Other NHS	88	364
Local Authorities	735	323
Capital debtors	153	175
Other debtors	6,249	5,906
Provision for impairment of trade receivables	(617)	(659)
Other prepayments	9,136	6,946
Accrued income	1,086	894
	387,802	341,446
Non-current		
Welsh Government	782,239	609,547
Other debtors	566	558
Sub-total	782,805	610,105
Total trade and other receivables	1,170,607	951,551

The majority of trade is with the Welsh Government and Welsh Health Boards. As these bodies are either Welsh Government or funded by Welsh Government, no credit scoring of them is considered necessary.

The NHS Welsh Government non current receivables relate to the consolidation of the Welsh Risk Pool "debtor of last resort".

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17.2 Receivables VAT	31 March 2018 £000	31 March 2017 £000
Trade receivables	<u>632</u>	<u>617</u>
Total	<u>632</u>	<u>617</u>

17.3 Receivables past their due date but not impaired

	31 March 2018 £000	31 March 2017 £000
By up to 3 months	974	559
By 3 to 6 months	374	281
By more than 6 months	645	1,177
Balance at end of financial year	<u>1,993</u>	<u>2,017</u>

17.4 Provision for the impairment of receivables

	31 March 2018 £000	31 March 2017 £000
Balance at beginning of the year	(659)	(580)
Provision utilised (Amount written off during the year)	20	6
Amount recovered during the year	1	-
(Increase)/decrease in receivables impaired	21	(85)
Balance at end of financial year	<u>(617)</u>	<u>(659)</u>

In determining whether a debt is impaired consideration is given to the age of the debt and the results of actions taken to recover the debt, including reference to credit agencies.

18. Cash and cash equivalents

	31 March	31 March
	2018	2017
	£000	£000
Opening Balance	35,142	32,202
Net change in year	1,309	2,940
Closing Balance	36,451	35,142
 Made up of:		
Cash with Government Banking Service (GBS)	24,890	19,383
Cash with Commercial banks	29	27
Cash in hand	32	32
Cash as in Statement of Financial Position	24,951	19,442
Current investments	11,500	15,700
Cash and cash equivalents as in Statement of Financial Position	36,451	35,142
Cash & cash equivalents as in Statement of Cash Flows	36,451	35,142

The current investment is a deposit in the UK Government National Loans Fund.

19. Trade and other payables

Trade and other payables at the Statement of Financial Position date consist of:

	31 March	Reclassified
	2018	31 March
	£000	2017
		£000
Current		
Welsh Government	10,303	1,854
WHSSC & EASC	21	22
Welsh Health Boards	78,425	59,123
Other NHS	585	852
Local Authorities	654	977
Refunds of taxation by HMRC	-	1
VAT payable to HMRC	127	-
Other taxes payable to HMRC	1,058	2,161
National Insurance contributions payable to HMRC	1,565	3,148
Non-NHS trade payables - revenue	16,612	13,459
Non-NHS trade payables - capital	14,248	9,371
Rentals due under operating leases	5	17
Obligations due under finance leases and HP contracts	-	116
Pensions: staff	1,652	3,536
Accruals	12,241	18,224
Deferred income brought forward	2,300	1,905
Deferred income additions	3,326	2,005
Released to the Income Statement	(1,453)	(1,610)
Sub-total	141,669	115,161
Non-current		
Rentals due under operating leases	622	259
Sub-total	622	259
Total	142,291	115,420

It is intended to pay all invoices within the 30 day period directed by the Welsh Government.

Details relating to the NEST pension contributions are included in the individual NHS trust' accounts.

2016-17 Reclassified - The Structured Settlement charges in relation to the Welsh Risk Pool have been reviewed in line with Welsh Government requirements. The future charges have therefore been reclassified from creditors to provisions. The full impact is a movement £10,755,000 from current creditors to provisions and £309,834,000 from non-current creditors to provisions.

Summarised Accounts of NHS Trusts in Wales 2017-18

20. Borrowings

Current	31 March 2018 £000	31 March 2017 £000
Finance lease liabilities	1,550	1,558
Total	<u>1,550</u>	<u>1,558</u>
Non-current		
Finance lease liabilities	994	2,503
Total	<u>994</u>	<u>2,503</u>

The borrowings relate to finance leases on plant and equipment.

20.1 Loan advance/strategic assistance funding

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

21. Other financial liabilities

The NHS trusts have no other Financial Liabilities.

22. Provisions

2017-18

22.1 NHS Trusts including Welsh Risk Pool

	Reclassified At 1 April 2017	Structured settlement cases transferred to Risk Pool	Transfer of provisions to Creditors	Transfer of provisions between Current and Non Current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2018
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	236,717	(27,006)	(5,717)	(5,432)	165,791	(75,452)	(25,257)	(4,899)	258,745
Personal injury	6,002	-	-	75	7,113	(3,329)	(2,301)	4	7,564
All other losses and special payments	44	-	-	-	450	(470)	(24)	-	-
Defence legal fees and other administration	5,291	-	-	(936)	3,279	(1,251)	(1,527)	(25)	4,831
Structured Settlements - WRPS	10,755	550	-	-	11,363	(10,869)	(993)	381	11,187
Pensions relating to: other staff	44		(6)	45	13	(38)	(18)	-	40
Restructurings	137			-	0	(126)	(11)		-
Other	1,537		-	-	738	(709)	(572)		994
Total	260,527	(26,456)	(5,723)	(6,248)	188,747	(92,244)	(30,703)	(4,539)	283,361
Non Current									
Clinical negligence	298,230	-	(3,200)	5,292	146,474	(7,615)	(17,683)	(722)	420,776
Personal injury	8,548	-	-	(79)	128	-	-	-	8,597
Defence legal fees and other administration	1,496	-	-	1,080	1,111	(210)	(290)	(9)	3,178
Structured Settlements - WRPS	309,834	26,456	-	-	26,977	-	(4,988)	-	358,279
Pensions relating to: other staff	260			(45)	3	-	-	-	218
Other	175		-	-	108	-	-		283
Total	618,543	26,456	(3,200)	6,248	174,801	(7,825)	(22,961)	(731)	791,331
TOTAL									
Clinical negligence	534,947	(27,006)	(8,917)	(140)	312,265	(83,067)	(42,940)	(5,621)	679,521
Personal injury	14,550	-	-	(4)	7,241	(3,329)	(2,301)	4	16,161
All other losses and special payments	44	-	-	-	450	(470)	(24)	-	-
Defence legal fees and other administration	6,787	-	-	144	4,390	(1,461)	(1,817)	(34)	8,009
Structured Settlements - WRPS	320,589	27,006	-	-	38,340	(10,869)	(5,981)	381	369,466
Pensions relating to: other staff	304		(6)	-	16	(38)	(18)	-	258
Restructurings	137			-	-	(126)	(11)		-
Other	1,712		-	-	846	(709)	(572)		1,277
Total	879,070	-	(8,923)	-	363,548	(100,069)	(53,664)	(5,270)	1,074,692

Expected timing of cash flows:

	Within 1 year to 31-Mar-19	> 1 year to 5 years 01-Apr-19 to 31-Mar-23	Thereafter	Total
	£000	£000	£000	£000
Clinical negligence	258,745	285,139	135,637	679,521
Personal injury	7,564	1,984	6,613	16,161
Defence legal fees and other administration	4,831	3,178	-	8,009
Structured Settlements - WRPS	11,187	46,796	311,483	369,466
Pensions - other staff	40	138	80	258
Other	994	283	-	1,277
Total	283,361	337,518	453,813	1,074,692

Summarised Accounts of NHS Trusts in Wales 2017-18

22. Provisions

2017-18

22.2 NHS Trusts excluding Welsh Risk Pool

	Reclassified At 1 April 2017	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 2018
	£000	£000	£000	£000	£000	£000	£000	£000
Current								
Clinical negligence	5,694	37	166	8,633	(1,495)	(4,594)	-	8,441
Personal injury	2,860	-	85	2,993	(1,553)	(365)	18	4,038
All other losses and special payments	44	-	-	450	(470)	(24)	-	-
Defence legal fees and other administration	384	-	2	483	(416)	(115)	-	338
Pensions relating to: other staff	44	(6)	45	13	(38)	(18)	-	40
Restructurings	137	-	-	-	(126)	(11)	-	-
Other	1,537	-	-	738	(709)	(572)	-	994
Total	10,700	31	298	13,310	(4,807)	(5,699)	18	13,851
Non Current								
Clinical negligence	166	-	(166)	-	-	-	-	-
Personal injury	8,548	-	(85)	128	-	-	-	8,591
Defence legal fees and other administration	2	-	(2)	-	-	-	-	-
Pensions relating to: other staff	260	-	(45)	3	-	-	-	218
Other	175	-	0	108	-	-	-	283
Total	9,151	-	(298)	239	-	-	-	9,092
TOTAL								
Clinical negligence	5,860	37	-	8,633	(1,495)	(4,594)	-	8,441
Personal injury	11,408	-	-	3,121	(1,553)	(365)	18	12,629
All other losses and special payments	44	-	-	450	(470)	(24)	-	-
Defence legal fees and other administration	386	-	-	483	(416)	(115)	-	338
Pensions relating to: other staff	304	(6)	-	16	(38)	(18)	-	258
Restructurings	137	-	-	-	(126)	(11)	-	-
Other	1,712	-	-	846	(709)	(572)	-	1,277
Total	19,851	31	-	13,549	(4,807)	(5,699)	18	22,943

Expected timing of cash flows:

	Within 1 year to 31-Mar-19	> 1 year to 5 years 01-Apr-19 to 31-Mar-23	Thereafter	Total
	£000	£000	£000	£000
Clinical negligence	8,441	-	-	8,441
Personal injury	4,038	1,978	6,613	12,629
Defence legal fees and other administration	338	-	-	338
Pensions - other staff	40	138	80	258
Other	994	283	-	1,277
Total	13,851	2,399	6,693	22,943

22. Provisions

2017-18

22.3 Welsh Risk Pool

	Reclassified At 1 April 2017	Structured settlement cases transferred to Risk Pool	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2018
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	236,607	(27,006)	(5,717)	(5,452)	165,730	(75,580)	(25,088)	(4,899)	258,595
Personal injury	4,959	-	-	(10)	6,407	(2,507)	(2,216)	(14)	6,619
Defence legal fees and other administration	4,992	-	-	(938)	2,802	(846)	(1,412)	(25)	4,573
Structured Settlements - WRPS	10,755	550	-	-	11,363	(10,869)	(993)	381	11,187
Total	257,313	(26,456)	(5,717)	(6,400)	186,302	(89,802)	(29,709)	(4,557)	280,974
Non Current									
Clinical negligence	298,219	-	(3,200)	5,312	146,465	(7,615)	(17,683)	(722)	420,776
Personal injury	-	-	-	6	-	-	-	-	6
Defence legal fees and other administration	1,494	-	-	1,082	1,111	(210)	(290)	(9)	3,178
Structured Settlements - WRPS	309,834	26,456	-	-	26,977	-	(4,988)	-	358,279
Total	609,547	26,456	(3,200)	6,400	174,553	(7,825)	(22,961)	(731)	782,239
TOTAL									
Clinical negligence	534,826	(27,006)	(8,917)	(140)	312,195	(83,195)	(42,771)	(5,621)	679,371
Personal injury	4,959	-	-	(4)	6,407	(2,507)	(2,216)	(14)	6,625
Defence legal fees and other administration	6,486	-	-	144	3,913	(1,056)	(1,702)	(34)	7,751
Structured Settlements - WRPS	320,589	27,006	-	-	38,340	(10,869)	(5,981)	381	369,466
Total	866,860	0	(8,917)	-	360,855	(97,627)	(52,670)	(5,288)	1,063,213

Expected timing of cash flows:

	Within 1 year to 31-Mar-19	> 1 year to 5 years 01-Apr-19 to 31-Mar-23	Thereafter	Total
	£000	£000	£000	£000
Clinical negligence	258,595	285,139	135,637	679,371
Personal injury	6,619	6	-	6,625
Defence legal fees and other administration	4,573	3,178	-	7,751
Structured Settlements - WRPS	11,187	46,796	311,483	369,466
Total	280,974	335,119	447,120	1,063,213

The provisions relate to the amounts over £25,000 in respect of ongoing claims against the NHS in Wales, the outcome of which will not be determined until the case has been finalised. Timing of cashflow has been profiled to match total current liabilities. However, the total will include cases which may settle with a structured settlement, so the underlying cashflow may be over a number of years. There can also be delays in settlement dates for next year which will further impact the cash flow timing.

The provisions include the reimbursable element of LHB and NHST clinical negligence liabilities, historic clinical negligence liabilities from previous NHS Wales structures and structured settlement liabilities managed by the WRP.

22. Provisions

2016-17

22.4 NHS Trusts including Welsh Risk Pool

	Reclassified At 1 April 2016	Structured settlement cases transferred to Risk Pool	Transfer of provisions to Creditors	Transfer of provisions between Current and Non Current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2017
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence	198,856	(42,009)	(9,881)	(7,374)	180,191	(47,803)	(33,185)	(2,078)	236,717
Personal injury	5,206	-	-	87	6,169	(3,138)	(2,392)	70	6,002
All other losses and special payments	43	-	-	-	471	(428)	(42)	-	44
Defence legal fees and other administration	4,848	-	-	444	3,442	(1,039)	(2,391)	(13)	5,291
Structured Settlements - WRPS	9,181	1,246	-	-	10,620	(9,963)	(298)	(31)	10,755
Pensions relating to: other staff	47	-	(6)	28	10	(37)	-	2	44
Restructurings	65	-	-	-	137	(65)	-	-	137
Other	1,415	-	-	-	1,149	(447)	(580)	-	1,537
Total	219,661	(40,763)	(9,887)	(6,815)	202,189	(62,920)	(38,888)	(2,050)	260,527
Non Current									
Clinical negligence	193,576	-	-	7,208	107,246	(3,524)	(6,251)	(25)	298,230
Personal injury	7,224	-	-	(83)	1,399	-	8	-	8,548
Defence legal fees and other administration	809	-	-	(282)	742	(72)	302	(3)	1,496
Structured Settlements - WRPS	272,072	40,763	-	-	3,324	-	(6,297)	(28)	309,834
Pensions relating to: other staff	282	-	-	(28)	6	-	-	-	260
Other	161	-	-	-	14	-	-	-	175
Total	474,124	40,763	-	6,815	112,731	(3,596)	(12,238)	(56)	618,543
TOTAL									
Clinical negligence	392,432	(42,009)	(9,881)	(166)	287,437	(51,327)	(39,436)	(2,103)	534,947
Personal injury	12,430	-	-	4	7,568	(3,138)	(2,384)	70	14,550
All other losses and special payments	43	-	-	-	471	(428)	(42)	-	44
Defence legal fees and other administration	5,657	-	-	162	4,184	(1,111)	(2,089)	(16)	6,787
Structured Settlements - WRPS	281,253	42,009	-	-	13,944	(9,963)	(6,595)	(59)	320,589
Pensions relating to: other staff	329	-	(6)	-	16	(37)	-	2	304
Restructurings	65	-	-	-	137	(65)	-	-	137
Other	1,576	-	-	-	1,163	(447)	(580)	-	1,712
Total	693,785	-	(9,887)	-	314,920	(66,516)	(51,126)	(2,106)	879,070

The expected timing of cashflows are based on best available information; but they could change on the basis of individual case changes.

Included within the above are no clinical negligence provisions arising from Redress.

In addition to the provision shown above, contingent liabilities are given in the 'Contingent liabilities' note.

Other Provisions include:

- Dilapidations £941k
- Decommissioning cessium sources £175k
- Stock valuation £525k
- Employee Costs £71k

2016-17 Reclassified - The structured settlements charges in relation to the Welsh Risk pool have been reviewed in line with Welsh Government requirements. This means that the future charges have been reclassified from creditors to provisions. The full impact is a movement of £10,755,000 from current creditors to provisions and £309,834,000 from non-current creditors to provisions.

23. Contingencies

23.1 Contingent liabilities

Provision has not been made in these accounts for the following amounts:

	31 March	31 March
	2018	2017
	£000	£000
Legal claims for alleged medical or employer negligence	816,393	855,782
Defence costs	10	52
Total value of disputed claims	816,403	855,834
Amount recovered under insurance arrangements in the event of these claims being successful	(814,718)	(854,463)
Net contingent liability	1,685	1,371

The above figures for 31st March 2018 includes all contingent liabilities >£25k for Health Bodies in Wales, from the consolidation of the Welsh Risk Pool within the Velindre NHS Trust Accounts, together with the NHS trust contingent liabilities <£25k.

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 Trust's 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'.

23.2 Contingent assets

The NHS trusts have no contingent assets.

24. Capital commitments

Commitments under capital expenditure contracts at the statement of financial position date were:

	31 March	31 March
	2018	2017
	£000	£000
Property, plant and equipment	2,741	4,044
Intangible assets	1,630	1,872
Total	4,371	5,916

25. Losses and special payments

25.1 NHS trusts including Welsh Risk Pool

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 2018		Approved to write-off year to 31 March 2018	
	Number	£	Number	£
Clinical negligence	375	77,783,210	366	77,146,295
Personal injury	171	4,853,507	79	3,837,524
All other losses and special payments	128	674,974	40	254,013
Total	674	83,311,691	485	81,237,832

Cases paid in 2017-18 where the cumulative sum exceeded £300,000 are as follows:

	No of cases	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
	2017-18	2017-18	2017-18	2017-18
ABMU	16	15,717,185	22,501,930	15,717,185
Aneurin Bevan	9	9,258,760	18,377,733	9,258,760
BCU	7	9,483,686	16,746,357	9,483,686
Cardiff and Vale	9	6,197,157	7,440,444	6,197,157
Cwm Taf	8	6,365,890	7,897,654	6,365,890
Hywel Dda	2	986,187	986,187	986,187
Powys	1	8,400,900	14,700,130	8,400,900
Public Health Wales	2	654,951	776,851	369,113
WAST	4	1,400,001	1,811,818	900,001
Sub-total	58	58,464,717	91,239,104	57,678,879
All other losses and payments	616	24,846,974	96,070,152	23,558,953
Total	674	83,311,691	187,309,256	81,237,832

To enable the reader of the accounts to compare NHS trust performance for current and past losses and special payments, the note has been prepared separately for the NHS Trusts and the Welsh Risk Pool.

25. Losses and special payments

25.2 NHS trusts excluding Welsh Risk Pool

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 2018		Approved to write-off year to 31 March 2018	
	Number	£	Number	£
Clinical negligence	16	1,522,997	3	25,371
Personal injury	103	1,477,268	11	461,285
All other losses and special payments	124	486,751	36	65,790
Total	243	3,487,016	50	552,446

Cases paid in 2017-18 where the cumulative sum exceeded £300,000 are as follows:

	No of cases	Amounts	Cumulative	Approved to
		paid out in year £	amount £	write-off in year £
	2017-18	2017-18	2017-18	2017-18
Personal Injury	3	561,254	1,259,384	378,967
Clinical Negligence	4	1,085,295	1,921,218	-
Sub-total	7	1,646,549	3,180,602	378,967
All other losses and payments	236	1,840,467	9,624,239	173,479
Total	243	3,487,016	12,804,841	552,446

To enable the reader of the accounts to compare NHS trust performance for current and past losses and special payments, the note has been prepared separately for the NHS Trusts and the Welsh Risk Pool.

25. Losses and special payments

25.3 Welsh Risk Pool

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.

The Welsh Risk Pool reimburses Trusts and Local Health Boards for payments made in year.

	Amounts paid out during year to 31 March 2018		Approved to write-off year to 31 March 2018	
	Number	£	Number	£
Clinical negligence	363	77,120,924	363	77,120,924
Personal injury	68	3,376,239	68	3,376,239
All other losses and special payments	4	188,223	4	188,223
Total	435	80,685,386	435	80,685,386

Cases paid in 2017-18 where the cumulative sum exceeded £300,000 are as follows:

	No of cases	Amounts paid out in year £	Cumulative amount £	Approved to write-off in year £
	2017-18	2017-18	2017-18	2017-18
ABMU	16	15,717,185	22,501,930	15,717,185
Aneurin Bevan	9	9,258,760	18,377,733	9,258,760
BCU	7	9,483,686	16,746,357	9,483,686
Cardiff and Vale	9	6,197,157	7,440,444	6,197,157
Cwm Taf	8	6,365,890	7,897,654	6,365,890
Hywel Dda	2	986,187	986,187	986,187
Powys	1	8,400,900	14,700,130	8,400,900
Public Health Wales	1	369,113	439,513	369,113
Velindre	0	0	0	0
WAST	2	900,001	900,001	900,001
Sub-total	55	57,678,879	89,989,949	57,678,879
All other cases	380	23,006,507	86,445,913	23,006,507
Total cases	435	80,685,386	176,435,862	80,685,386

To enable the reader of the accounts to compare NHS trust performance for current and past losses and special payments, the note has been prepared separately for the NHS Trusts and the Welsh Risk Pool.

Summarised Accounts of NHS Trusts in Wales 2017-18

26. Finance lease obligations

26.1 Finance Lease obligations as lessee

Amounts payable under finance leases:

Land & Buildings

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

The Trusts have other finance leases for the;

- Plant and equipment, mainly printers and
- National Ambulance Radio Re-procurement

Other	31 March	31 March
	2018	2017
	£000	£000
Minimum lease payments		
Within one year	1,640	1,815
Between one and five years	1,039	2,629
Less finance charges allocated to future periods	(135)	(267)
Minimum lease payments	2,544	4,177
Included in:		
Current borrowings	966	1,558
Non-current borrowings	1,578	2,503
Total	2,544	4,061
Present value of minimum lease payments		
Within one year	1,550	1,674
Between one and five years	994	2,503
Present value of minimum lease payments	2,544	4,177
Included in:		
Current borrowings	1,550	1,674
Non-current borrowings	994	2,503
Total	2,544	4,177

27. 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 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.

28. Events after reporting period

No NHS Trusts have disclosed any events after the Reporting Period.

29. 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 Universities and Local Authorities. Further details of transactions are given in the individual trust accounts.

30. Other

IFRS 9

IFRS 9 Financial Instruments is effective from the 1st January 2018 and will be applicable for public sector reporting as adapted in the Financial Reporting Manual (FReM) for the 2018/19 financial year.

Initial application impacts for the 2018/19 accounts will be recognised in opening retained earnings, as mandated by the FReM.

The principal impact of IFRS9 adoption will be to change the calculation basis for bad debt provisions, changing from an incurred loss basis to a lifetime expected credit loss basis. The FReM mandates the application of the simplified approach to impairment under the standard, requiring for short and long term receivables the recognition of a loss allowance for an amount equal to lifetime expected credit losses.

The impact of adopting IFRS9 in 2018/19 is not expected to have a material impact. Disclosure and presentation requirements of IFRS9 will be applied as required by the FReM and in accordance with the principles of streamlining and materiality.

IFRS15

IFRS 15 Revenue from Contracts with Customers is effective from the 1st January 2018 and will be applicable for public sector reporting as adapted in the Financial Reporting Manual (FReM) for the 2018/19 financial year.

The NHS Wales Technical Accountants Group and the Welsh Government (as a Relevant Authority) are considering the detail of application of IFRS15 for Local Health Boards and NHS Trusts in Wales. Final application guidance will be issued in the NHS Wales Manuals for Accounts for 2018/19.

Any initial application impacts arising for the 2018/19 accounts will be recognised in opening retained earnings, as mandated by the FReM.

No material impacts are anticipated as a consequence of IFRS15 becoming effective in the FReM for 2018/19.

**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 2014, and subsequent financial years. The basis of preparation and form of accounts shall be as 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 2014, and subsequent financial year-ends, and of the Statement of Comprehensive 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 with HM Treasury.

7. This direction supersedes all previous directions.

**Ross Campbell Deputy Director, Government Financial Reporting HM Treasury
10 February 2014**

**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**

Foreword

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.

Governance statement

3. The Additional Accounting Officer for the NHS in Wales shall prepare a Governance Statement in relation to the summarised account of NHS Trusts in Wales (there are separate Accounts Directions for NHS Trusts). The Governance Statement shall include information about the arrangements in place to assure the quality of the financial and other information included in the summarised account, including the role of Internal Audit.
4. The Governance Statement shall include information about the relationship between the Additional Accounting Officer for the NHS in Wales and officials appointed by the Department for Health and Social Services to assist in the preparation of the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments).