

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 2015

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

---

# **NHS (Wales) Summarised Accounts 2014-15**

Welsh Government



# NHS Wales Summarised Accounts 2014-15

## FOREWORD

### Introduction

1. Section 178, Schedule 9 Para 3(1) and 4 of the National Health Service (NHS) Wales Act 2006 requires all NHS organisations in Wales to prepare annual accounts and to submit them to the Auditor General for Wales for audit.
2. The accounts for each NHS body must be laid before the National Assembly for Wales.
3. The Welsh Ministers are then required to prepare, in such form as HM Treasury may direct, summarised accounts from those individual accounts of NHS Wales organisations. The Auditor General for Wales is required to examine, certify and report on those summarised accounts (Section 178, Schedule 9 para 5(2)).
4. The annual accounts of all NHS Wales organisations have been audited and these summarised accounts are based on those audited figures. These accounts supplement the details of expenditure on healthcare contained within the consolidated resource accounts of the Welsh Government for 2014-15 which include the results of the local health boards.
5. The chief executives of individual NHS organisations in Wales have a duty to their respective boards and, as the Accountable Officers for those organisations, to me as Additional Accounting Officer.
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 and of the NHS trusts.

### Summarised Accounts

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

#### *(a) Local Health Boards*

8. Local health boards were established under section 11 Schedule 2 of the National Health Service (Wales) Act 2006.

9. The summarised account for the local health boards in Wales is based on the audited accounts of the seven local health boards. All seven local health boards received unqualified true and fair view and regularity audit opinions from the Auditor General for Wales for 2014-15.
10. Three of the local health boards (Betsi Cadwaladr, Cardiff & Vale & Hywel Dda) incurred operating deficits as their expenditure exceeded their revenue resource allocations for 2014-15.
11. In December 2014, one local health board (Betsi Cadwaladr), was placed on targeted intervention in accordance with the Welsh Government escalation and intervention arrangements. On 8 June 2015, following a tripartite meeting between Welsh Government officials, staff of the Wales Audit Office and Health Inspectorate Wales, the Minister for Health and Social Services accepted the recommendation of his officials that he should place the health board in special measures due to serious and outstanding concerns about the leadership, governance and progress in the Health Board.
12. At the end of March 2015, three local health boards (Abertawe Bro Morgannwg, Cardiff and Vale, and Hywel Dda) were all subject to enhanced monitoring in accordance with the Welsh Government escalation arrangements. Abertawe Bro Morgannwg was placed on enhanced monitoring in June 2014, and both Cardiff and Vale and Hywel Dda were placed on enhanced monitoring following the routine tripartite escalation meeting in February 2015. All other local health boards were on routine monitoring arrangements.
13. Further comment on the monitoring and escalation arrangements for local health boards is set out in the NHS Summarised Accounts Annual Governance Statement.
14. The AGW has placed narrative reports on the accounts of all local health boards to explain their new financial duties under the NHS Finance (Wales) Act 2014, their performance against them and the implications for 2015-16. Four local health boards (Aneurin Bevan, Betsi Cadwaladr, Hywel Dda & Powys) have not had their submitted three year plans covering the period 2014-15 to 2016-17 approved by the Welsh Ministers as at the date of the signing of their accounts and consequently are in breach of their statutory duty to do so.

***(a) NHS Trusts***

15. 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.
16. The summarised account for the NHS trusts in Wales is based on the audited accounts of the three Welsh NHS trusts. All three trusts received unqualified true and fair view and regularity audit opinions from the Auditor General for Wales for 2014-15.

17. No NHS trust incurred an operating deficit in the 2014-15 financial year.
18. At the end of March 2015, Welsh Ambulance Services NHS Trust was on enhanced monitoring in accordance with the Welsh Government escalation framework. All other NHS trusts were on routine monitoring arrangements. The trust was placed on enhanced monitoring in June 2014. Further comment on the monitoring and escalation arrangements for NHS trusts is set out in the NHS Summarised Accounts Annual Governance Statement.
19. The AGW has placed narrative reports on the accounts of the NHS trusts to explain their new financial duties under the NHS Finance (Wales) Act 2014, their performance against them and the implications for 2015-16. Two NHS trusts (Public Health Wales & Welsh Ambulance Services) have not had their submitted three year plans covering the period 2014-15 to 2016-17 approved by the Welsh Ministers as at the date of the signing of their accounts and consequently are in breach of their administrative duty to do so.

### **Performance against statutory and administrative financial duties**

20. Welsh Health Circular (2015) 014 replaces WHC (2007) 049 - Statutory Financial Duties of NHS Trusts and Local Health Boards. It clarifies the position regarding the statutory and administrative financial duties of Local Health Boards and NHS Trusts in Wales further to the NHS Finance (Wales) Act 2014, and is effective from 2014-15 financial year.
21. The NHS Finance (Wales) Act 2014 changed the statutory financial duties of Local Health Boards within the National Health Service (Wales) Act 2006, from a single duty, to the following two financial duties:
  - S175 (1) to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years
  - S175 (2A) and the Directions issued by the Welsh Ministers under section 175(2) to prepare a plan which sets out its strategy for securing compliance with the duty under section 175 (1) while improving the health of the people for whom it is responsible, and the provision of health care to such people, and for that plan to be submitted to and approved by the Welsh Ministers.
22. For Local Health Boards (LHBs), the first statutory 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. Under the rolling 3 year duty, the first assessment of the financial duty will take place at the end of 2016-17. Failure to achieve financial balance over the 3 year accounting period will result in the LHB being considered to have breached the first financial duty.
23. The second statutory financial duty is effective from the start of the 2014-15 financial year and will be assessed and reported on from 2014-15 onwards. 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 the plan. Performance against this second financial duty, including any breach of this duty, will be reported in the Annual Accounts, including the Annual Governance Statement from the 2014-15 Annual Accounts onwards.

24. The NHS (Wales) Act 2006, Schedule 4 Paragraph 2, sets down the financial obligations of NHS Trusts including in relation to the revenue financial breakeven duty. These are:

“(1) Every NHS trust shall ensure that its revenue is not less than sufficient, taking one financial year with another, to meet outgoings properly chargeable to revenue account.

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

(3) Any such objectives may be made applicable to NHS trusts generally, or to a particular NHS trust or to NHS trusts of a particular description.”

25. WHC (2007) 049 clarified the Financial Duty was to be taken to be “a breakeven position in each and every financial year”. WHC (2015) 014 withdraws WHC (2007) 049, and the duty under Schedule 4 Paragraph 2 (1) “taking one financial year with another” will from the 2014-15 financial year be met if expenditure is covered by income over a rolling 3 year period. Performance against this financial duty including any breach of the duty, will be reported from the 2016-17 Annual Accounts onwards. Failure to achieve financial balance over the 3 year accounting duty will result in the Trust being considered to have breached its financial statutory duty.

26. While the recent change of legislation by the National Health Service Finance (Wales) Act 2014 relates to the statutory financial duties of Local Health Boards, the principles behind the Act, of two financial duties, as opposed to one, also applies to NHS Trusts. The financial duties of NHS Trusts are set out Schedule 4 Paragraph 2 (1) of the National Health Service (Wales) Act 2006 and the requirement to plan is set out in the Standing Orders, Standing Financial Instructions and the Planning Framework issued by the Welsh Ministers. For 2014-15 the planning requirement will be an administrative duty.

***(a) Local Health Boards***

27. In 2014-15, four of the seven local health boards incurred expenditure within revenue resource allocations, all local health boards kept expenditure within capital resource allocations. The details of the local health board surpluses and deficits for 2014-15 are set out in Annex 4 to this Foreword.

28. In October 2014, following the publication of the independent report by the Nuffield Trust, the Minister for Finance and Government Business announced an additional funding package for the Welsh NHS, which included £200m in the 2014-15 financial year to help support the continued delivery of high quality safe services.
29. The Nuffield Trust report sets out the key drivers for spending pressures in the NHS, including a growing and ageing population, an increase in the proportion of people living with long-term chronic conditions and a rising pay bill. It also sets out measures to mitigate these pressures, including actions that are already happening – such as pay restraint, improvements in acute sector productivity and better management of chronic conditions.
30. In January 2015, the Welsh Government provided a further allocation of £40m to the Welsh NHS in the 2014-15 financial year to help it deal with winter pressures being experienced across the UK as a result of increased demand from an influx of sick patient, with urgent and emergency care services, in particular, seeing a significant extra demand on their services.
31. In 2014-15 three of the seven local health boards (Abertawe Bro Morgannwg, Cardiff & Vale and Cwm Taf) met their statutory duty to have submitted an integrated three year plan which had been approved by the Minister for Health and Social Services. Cardiff & Vale failed to deliver financial balance in accordance with its' approved plan, with expenditure exceeding its revenue resource allocation for the 2014-15 financial year.
32. Three health boards submitted three year plans which were not approved by the Minister (Aneurin Bevan, Hywel Dda and Powys). These health boards operated to annual operational plans for the 2014-15 financial year. One health board (Betsi Cadwaladr) initially submitted a draft three year plan, acknowledged that the plan required significant further work, and then developed an annual plan. Those health boards which did not meet their statutory planning financial duty have continued to work with the Welsh Government to develop three year plans in accordance with the NHS Planning Framework requirements. Further comment on the progress of local health board integrated three year plans are set out in the NHS Summarised Accounts Annual Governance Statement.

***(b) NHS Trusts***

33. During 2014-15, all three trusts achieved operating surpluses.
34. The overall retained income and expenditure surplus of the three NHS trusts in Wales for 2014-15 was £0.799 million, with an adjusted income and expenditure surplus of £0.222 million. (For 2013-14 the NHS Wales trusts collectively reported a retained deficit of £0.040 million.) The details of the NHS trusts' surpluses and deficits for 2014-15 are set out in Annex 3 to this Foreword.
35. As part of the winter pressures identified and additional funding allocated by the Welsh Government for 2014-15, £8.0 million was provided to the Emergency Ambulance Services Committee (EASC), which commissions the emergency ambulance services on behalf of health boards.

36. One NHS trust (Velindre) met the administrative duty to have submitted an integrated three year plan which had been approved by the Minister for Health and Social Services. The remaining NHS trusts (Public Health Wales & Welsh Ambulance Services) submitted three year plans which were not approved, and therefore did not meet their administrative duty. These NHS trusts operated to annual operational plans for the 2014-15 financial year. Those NHS trusts which did not meet their administrative planning financial duty have continued to work with the Welsh Government to develop three year plans in accordance with the NHS Planning Framework requirements. Further comment on the progress of NHS trust integrated three year plans are set out in the NHS Summarised Accounts Annual Governance Statement.

### **External financing limit**

37. As part of the process of controlling public expenditure, the Welsh Government sets an external financing limit for each NHS trust. The calculation of each limit determines the maximum amount a trust can receive from external sources, normally the Welsh Government, to finance capital expenditure. Trusts must submit detailed cash flow statements to the Welsh Government in order to receive authorisation to draw down public dividend capital. This target is not applicable to local health boards.

38. In 2014-15, the overall external financing limit for NHS trusts was £14.040 million and each of the trusts in Wales stayed within their individual external financing limits.

### **Prompt Payment Performance**

39. Local health boards and NHS trusts are required to pay their non NHS creditors in accordance with HM Treasury's public sector payment compliance target. This target is to pay 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.

40. The performance of each local health board and NHS trust in Wales, showing the percentage of invoices paid within the 30-day target, the percentage of the total value of invoices they represent, and any interest costs incurred under the Late Payment of Commercial Debts (Interest) Act 1998, is shown in the table at Annex 4 to this Foreword.

41. The number of non NHS invoices paid within 30 days ranged from 84.8% to 96.0% for NHS bodies, with an average for the year of 91.1% for local health boards and 93.8% for NHS trusts (2013-14 93.4% and 95.9%). Only one NHS body, Welsh Ambulance Services NHS Trust achieved 95% by number of non NHS bills paid within 30 days in 2014-15. Local health boards and the NHS trusts have declared the deterioration in the achievement of the target in 2014-15 was affected by changes to the financial systems in year. Full details are contained within the statutory accounts of the NHS organisations.



## Summary of achievement of financial duties

42. A summary of performance for each financial duty by individual organisation is provided as follows:

- Annex 1 NHS Trust Performance against Financial Duties and External Financing Limits.
- Annex 2 Local Health Boards' Performance against Financial Duties
- Annex 3 NHS Trust Financial Performance
- Annex 4 Local Health Board Financial Performance
- Annex 5 NHS Trust and Local Health Board Public Sector Payment Performance.

## Statement of Financial Position Issues

### *Clinical Negligence Provisions*

43. At 31 March 2015, known actual and anticipated liabilities for clinical negligence totalled £5.086 million (2013-14 £3.499 million) in NHS trusts and a further £429.536 million (2013-14 £367.857 million) in local health boards. These provisions and creditors are calculated on the basis of claims against the organisation, where it is assessed that there is a probable chance of the claim being settled.

44. Excluded from the provisions calculations included within the summarised accounts is a further estimated £717.072 million (2013-14 £677.506 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.

### *Welsh Risk Pool (WRP)*

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

46. From 2014-15 the Pool was managed by NHS Wales Shared Services Partnership (NWSSP), hosted by Velindre NHS Trust. The reimbursement of claims by the Pool continues to be managed by the Welsh Risk Pool Committee comprising representatives from NHS trusts, local health boards and the Welsh Government.

47. 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. The NHS trust summarised account includes

the WRP activities in the Velindre NHS Trust activities (amended for NHS Trust interparty trading elimination), as part of the hosted NWSSP. The structured settlement liabilities are accounted for in the Welsh Government's Resource Accounts provision for the Welsh Risk Pool at 31 March 2015 of £674.117 million (2013-14 £593.799 million).

48. During the year, the Pool made payments of £61.807 million (2013-14: £52.953 million) in relation to claims. Of this £58.182 million related to clinical negligence claims and £3.434 million related to personal injury claims (2013-14 £55.550 million and £2.403 million respectively).

## **Sustainability Reporting**

49. The HMT Government Financial Reporting Manual (FReM) requires that entities falling within the scope of reporting under the Greening Government commitments and which are not exempted by de-minimis limit or other exemption under Greening Government (or other successor policy), shall produce a sustainability report in accordance with HM Treasury issued Sustainability Reporting in the Public Sector guidance.
50. This requirement is not applicable to Wales as a Devolved Government; 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. For 2014-15 public bodies in Wales that report under the FReM and meet the FReM de-minimis are required to produce a FReM sustainability report. This applies to the NHS organisations in Wales.
51. Full sustainability reports prepared in accordance with the NHS Wales Manual for Accounts guidance are to be contained within the Annual Reports of the local health boards and trusts (due for publication no later than 30 September 2015); these include details of significant achievements and key actions taken during 2014-15.

## **Annual Quality Statement**

52. 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.
53. 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.

54. In 2014-15 the Annual Quality Statement for individual health boards and NHS trusts should be published no later than 30 September 2015.

### **Events after the Reporting Period**

55. On 1 April 2015 the Health Courier Services (HCS) function and its associated assets and liabilities were transferred from Welsh Ambulance Services NHS Trust to NHS Wales Shared Services Partnership (NWSSP) hosted by Velindre NHS Trust. The transfer of functions was treated using absorption accounting adapted for the issue of PDC. All transactions and balances related to those functions pre 1 April 2015 are included in the transferor accounts and post 1 April 2015 are included in Velindre NHS Trust's financial statements.

56. From 1 April 2015 Powys Teaching Health Board commenced hosting functions of the National Institute of Social and Health Care Research (NISCHR).

57. As noted above, on 8 June 2015 Betsi Cadwaladr University Health Board was placed into special measures by the Minister for Health and Social Services.



Dr Andrew Goodall  
Director General, Health, Chief Executive NHS Wales, Health and Social Services Group  
3 July 2015

## NHS Trust Performance against Financial Duties and External Financing Limits

### The Financial Duties of NHS Trusts

WHC (2015) 014 replaced WHC (2007) 049 - Statutory Financial Duties of NHS Trusts and Local Health Boards.

It clarified the position regarding the Statutory and Administrative Financial Duties of NHS bodies in Wales. The Welsh Health Circular provides guidance for the revised financial duties which came into effect on 1 April 2014.

The Welsh Health Circular resets NHS Trusts' break even duty from an annual to a 3 year duty. The circular confirms the introduction of a second NHS Trust administrative financial duty in relation to planning.

#### First Financial Duty

First Financial Duty – breakeven duty, to ensure that its revenue is not less than sufficient to meet outgoings properly chargeable to the revenue account in respect of each rolling three-year accounting period. This is a statutory duty in accordance with the NHS (Wales) Act 2006 Schedule 4 paragraph 2.

The first financial duty will be measured, reported, assessed, and audited through the NHS Trust Annual Accounts from 2016/17 onwards. For 2014/15 and 2015/16 break-even performance will be reported, noting in the accounts whether expenditure has exceeded income. Break-even is based on the NHS Trusts' adjusted surplus/(deficit) position.

From 2016-17 onwards, the statutory financial duty test will apply and will be subject to audit.

#### Second Financial Duty

Second Financial Duty - to prepare a three year Integrated Medium Term Plan in accordance with the NHS Planning Framework and for that plan to be submitted to and approved by the Welsh Ministers. From 1 April 2014 this is an administrative requirement for the NHS Trusts.

#### External Financing Limit

NHS Trusts are set an external financing limit by Welsh Government which it is permitted to undershoot, this is an administrative requirement.

	<b>Second Financial Duty</b>	
	<b>Integrated Medium Term Plan</b>	<b>External Financing Limit</b>
	<b>2014-15</b>	<b>2014-15</b>
Public Health Wales Trust	x	✓
Velindre NHS Trust	✓	✓
Welsh Ambulance Services NHS Trust	x	✓

## Local Health Board Performance against Financial Duties

### The Financial Duties of Local Health Boards

WHC (2015) 014 replaced WHC (2007) 049 - Statutory Financial Duties of NHS Trusts and Local Health Boards.

It clarified the position regarding the Statutory and Administrative Financial Duties of NHS bodies in Wales. The Welsh Health Circular provides guidance for the revised financial duties which came into effect on 1 April 2014.

The National Health Service Finance (Wales) Act 2014 amended the National Health Service (Wales) Act 2006 with the effect of changing the statutory financial duties of Local Health Boards from a single financial duty, to manage to secure that its expenditure does not exceed its funding over an annual period, to the following two financial duties:

#### First Financial Duty

A duty under 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. This is referred to as the "First Financial Duty".

The first financial duty will be measured, reported, assessed, and audited through the LHBs Annual Accounts from 2016/17 onwards. For 2014/15 and 2015/16 performance will be reported against the resource allocations made, noting in the accounts whether expenditure has exceeded the resources allocated.

From 2016-17 onwards, the statutory financial duty test will apply and will be subject to audit.

#### Second Financial Duty - Integrated Medium Term Plans

A duty under section 175 (2A) and the Directions issued by the Welsh Ministers under section 175(2) to prepare, submit to and have approved by the Welsh Ministers a plan which sets out its strategy for securing compliance with the duty under section 175 (1) while improving the health of the people for whom it is responsible, and the provision of health care to such people. This is referred to as the "Second Financial Duty". This "Second Financial Duty" is subject to Directions being issued by the Welsh Ministers and is applicable to Local Health Boards from 1 April 2014.

### Second Financial Duty

#### Integrated Medium Term Plan 2014-15

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	✗

NHS Trust Financial Performance

	<b>Retained Surplus 2014-15 £000</b>	<b>Adjusted surplus 2014-15 £000</b>	<b>Break-even performance 2014-15</b>
Public Health Wales Trust	35	35	✓
Velindre NHS Trust	616	39	✓
Welsh Ambulance Services NHS Trust	148	148	✓
All NHS trusts	<u>799</u>	<u>222</u>	

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.

## Local Health Board Financial Performance

	<b>Underspend / (overspend) against resource allocation</b>	<b>Underspend / (overspend) against capital</b>
	<b>2014-15 £000</b>	<b>2014-15 £000</b>
Abertawe Bro Morgannwg University Local Health Board	99	83
Aneurin Bevan University Local Health Board	409	15
Betsi Cadwaladr University Local Health Board	(26,616)	32
Cardiff and Vale University Local Health Board	(21,364)	79
Cwm Taf University Local Health Board	30	3
Hywel Dda University Local Health Board	(7,474)	55
Powys Teaching Local Health Board	39	2
All local health boards	(54,877)	269
Number of local health boards operating within resource allocation	4	7
Percentage of local health boards operating within resource allocation	57%	100%

## Local Health Board Public Sector Payment Policy Performance

	Non NHS Value of bills 2014-15 %	Non NHS Number of bills 2014-15 %	Non NHS Value of bills 2013-14 %	Non NHS Number of bills 2013-14 %
Abertawe Bro Morgannwg University Local Health Board	95.0	91.5	96.8	94.7
Aneurin Bevan University Local Health Board	97.6	91.2	98.3	95.8
Betsi Cadwaladr University Local Health Board	95.5	90.2	97.6	94.5
Cardiff and Vale University Local Health Board	93.6	88.7	92.9	86.0
Cwm Taf University Local Health Board	95.4	89.2	98.9	96.9
Hywel Dda University Local Health Board	95.3	94.6	96.4	95.3
Powys Teaching Local Health Board	87.9	84.8	98.7	93.2
<b>All local health boards</b>	<b>95.1</b>	<b>91.1</b>	<b>96.6</b>	<b>93.4</b>

## NHS Trust Public Sector Payment Policy Performance

	Non NHS Value of bills 2014-15 %	Non NHS Number of bills 2014-15 %	Non NHS Value of bills 2013-14 %	Non NHS Number of bills 2013-14 %
Public Health Wales Trust	90.9	92.0	95.0	93.8
Velindre NHS Trust	92.6	93.2	97.2	95.4
Welsh Ambulance Services NHS Trust	96.6	96.0	97.7	97.7
	<b>93.0</b>	<b>93.8</b>	<b>97.1</b>	<b>95.9</b>



## **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 Department for Health and Social Services (DHSS), 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. The Accounts Directions both 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. As the governance framework for both of the Summarised Accounts is exercised in practice as a single process, and the Summarised Accounts are published for users as a single document, 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.
3. The Summarised Accounts' governance framework is designed to minimise the risks to the process of preparing and publishing the accounts. The accounts of the 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 contained within the underlying statutory accounts of the three NHS trusts and the seven LHBs.
4. 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 governance framework is based on an ongoing process that is designed to identify and prioritise the risks, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively.
5. Preparation and publication of the Summarised Accounts is managed within the DHSS 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 DHSS is responsible on a day-to day basis for managing risk and ensuring that the activities necessary for the production of the accounts are properly planned, resourced and performed.
6. In producing the Summarised Accounts, I must rely on each Accountable Officer of the LHBs and NHS trusts to manage their own risks. The Accountable Officers are required to ensure that the accounts of their respective organisations are properly presented and fully supported by sound financial procedures and records, in accordance with the Accounts Directions issued to them by the Welsh Ministers.

7. The key risks that I have identified in the preparation of the Summarised Accounts from the underlying accounts submitted by the LHBs and the NHS trusts which may have a significant impact on the Summarised Accounts preparation process include:
  - 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;
8. The Summarised Account governance framework has been in place for the year ended 31 March 2015 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; Code of Good Practice* to the extent that this is deemed relevant and practical.

### **The Summarised Accounts governance framework**

9. Matters relating to the governance of the preparation and audit of the Summarised Accounts are considered by the DHSS Corporate Governance Committee. The DHSS Corporate Governance Committee meets on a quarterly basis.
10. During 2014-15, the Committee has considered the following matters relating to the Summarised Accounts:
  - 2013-14 Financial Statements Report by Wales Audit Office
  - 2014-15 NHS Summarised Accounts Audit Outline
  - 2014-15 Wales Audit Office Welsh Government Interim Management Letter
  - DHSS Risk Register
11. 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.
12. To manage the key risks to the Summarisation and accounts preparation process, DHSS Finance Directorate maintains a Risk Register to assist in identifying and implementing mitigating actions. The Directorate Risk Register is updated and reviewed monthly. In 2014-15 no risks in relation to the preparation of the Summarised Account met the threshold for escalation to the DHSS Corporate Governance Committee.
13. The main risks specific to the preparation of the Summarised Accounts managed in year were:
  - Insufficient availability of appropriately skilled DHSS Finance staff to prepare the accounts;
  - Timetables not being agreed with the LHBs, NHS trusts, Wales Audit Office and Welsh Government Finance Department to ensure that the Summarised Accounts process is integrated with the Welsh Government Consolidated Resource Account timetable;

- 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 DHSS Finance, NHS organisations and WAO;
  - 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 they were submitted for audit.
14. The Summarised Accounts have been prepared in accordance with the 2014-15 Financial Reporting Manual (FReM) issued by HM Treasury, which applies EU adopted IFRS and interpretations in effect for accounting periods commencing on or before 1 January 2014, and with the LHBs / NHS trust Manual For Accounts 2014-15.
15. The LHB / NHS trust Manual for Accounts issued by the Welsh Government complements the FReM by providing additional advice and guidance on interpretations specific to the NHS in Wales. The Manual for Accounts provides sector specific guidance on how to complete the annual accounts proformas, as well as supporting Financial Returns and Memorandum Statements of debtor and creditor balances and income and expenditure transactions. Compliance with the Manual for Accounts therefore is critical to ensuring the accurate and appropriate completion of the accounts returns required for the preparation of the Summarised Accounts.

### **Role of Internal Audit**

16. 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 Department. The process of the preparation of the Summarised Accounts has not been included in the Internal Audit programme for DHSS in the current financial year.

### **Role of External Audit**

17. The accounts of the individual NHS organisations are provided to DHSS Finance by the Auditor General for Wales, 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. The 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 2015 and whether they have been prepared in accordance with 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.
18. The Summarised Accounts are subject to audit by the Auditor General for Wales, who issues a 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 a Financial Statements Report is prepared by the Wales Audit Office and reported to the Corporate Governance Committee noting any areas of concern or action required for the following year. DHSS Finance consider the issues noted in the Financial Statements Report and undertake actions accordingly to address issues raised.

19. Additionally, the Auditor General for Wales prepares a NHS Financial Statements Audits summary report for the DHSS Finance Division on the preparation and audit of the NHS financial statements and makes recommendations to improve the quality and efficiency of future years accounts preparation. DHSS receive, respond to and implement the recommendations contained in these reports annually, which serve to enhance the overall quality of preparation of the underlying NHS accounts.

### **Information Governance**

20. In preparing the Summarised Accounts, DHSS Finance does not collect any personal data from NHS organisations. Summarised Accounts information collected from NHS organisations is held within the Welsh Government records management systems.
21. Three LHBs have reported significant data security lapses which were reported to the Information Commissioner, no NHS trusts had reportable data security lapses. In all cases appropriate subsequent action has been taken to ensure that the risks to data security are mitigated. Details of the data lapses, Information Commissioner's Office reports and actions taken can be found in the Annual Governance Statements of Abertawe Bro Morgannwg, Betsi Cadwaladr, and Cardiff & Vale Local Health Boards.

### **Significant governance issues in the underlying accounts**

22. At the end of each financial year, the Accountable Officer in each LHB and NHS trust is required to prepare an audited Governance Statement. Each Statement sets 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 local health board and NHS trust in Wales, which are laid separately before the National Assembly for Wales.
23. 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 for example monthly monitoring returns and regular meetings with LHB and NHS trust Executive teams, and 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 Annual Governance Statements that generally sound systems of internal control were in place to support the delivery of their policy aims and objectives for 2014-15. However in the assessment of effectiveness areas of weakness or improvements required are noted, full details are contained in the individual body's statements.
- Five of the seven LHBs have concluded that there are no significant internal control or governance issues.
- Betsi Cadwaladr health board has concluded that there are significant governance and internal control issues. Principally on 8<sup>th</sup> June 2015 the Health and Social Services Minister Mark Drakeford announced that the Health Board had been placed in special measures following its failure to make sufficient improvement against long-standing concerns about governance, leadership and other issues.

- Following the Minister's announcement, the Health Board confirmed on 9<sup>th</sup> June 2015 that it had suspended its Chief Executive with immediate effect. As a result of this, the Minister asked Simon Dean, Deputy Chief Executive of NHS Wales and Chief Executive of Velindre NHS Trust to assume Accountable Officer responsibilities at the Health Board with immediate effect and to oversee arrangements to provide health services in North Wales with stability, advice and guidance.
- The Minister set out key areas for tangible improvement as follows:
  - Governance, leadership and oversight – the Health Board must implement governance and assurance actions which have been highlighted in a series of reports, including by the Wales Audit Office and Healthcare Inspectorate Wales, and in a review carried out by Ann Lloyd.
  - Mental health services – the Health Board must implement the mental health plan for North Wales, including actions arising from previous reviews, governance concerns and significantly the recent report into the events at Tawel Fan.
  - Maternity services at Ysbyty Glan Clwyd – the Health Board must resolve the outstanding question about the future of consultant-led maternity services at Ysbyty Glan Clwyd, acknowledging the ongoing quality, safety and service sustainability issues and bring forward plans for the SuRNICC.
  - GP and primary care services, including out-of-hours services – the Health Board must respond to the out-of-hours review and related concerns, which it commissioned.
  - Reconnecting with the public and regaining the public's confidence – the Board must undertake and oversee a listening exercise to establish a different approach to public engagement. It needs to do that rapidly and it needs to listen to what it is told by its local population rather than just informing them of the Board's point of view.
- Further details on these issues and other matters identified as significant internal control or governance issues can be found in the governance statement of the health board.
- The Governance Statement of Abertawe Bro Morgannwg identifies a significant governance issue with regard to the 'Trusted to Care' (known as the 'Andrews Report') published in May 2014. This was an independent review of care at Princess of Wales Hospital and Neath Port Talbot Hospital commissioned by the Minister for Health and Social Services at Welsh Government. The report recommended some immediate actions and others that should be achieved within a year of the report publication and some that required longer-term cultural and behavioural change. The LHB Board received this report and planned action to respond to the report recommendations at its meeting in May 2014. The LHB Board has received a formal update on this action plan at each and every meeting. This provided assurance that action was being taken within set time frames and highlighted exceptions to this and the remedial action implemented to rectify problems. Key improvements put into place were ; the development of a Quality Strategy, a values and behaviour framework, standards for the frail elderly and substantial improvement in the management of complaints. Further details are contained in the governance statement of the health board.
- Trusted to Care recommended that a follow-up review be carried out 12 months later – this will take place in July 2015. The review will focus on the extent to which progress has been achieved since Trusted to Care was published and the impact on how this is leading to improved quality of care within both Princess of Wales and Neath Port Talbot hospitals. The

review will report in September 2015 and will be published together with a report detailing the work the Trusted to Care steering group has been leading, which includes how the learning from the unannounced spot checks has been taken forward to improve the quality of care being provided throughout Wales.

- Further to the Trusted to Care report a series of 22 unannounced spot checks were carried out by an independent team of senior professionals to review care and conditions on older people's mental health wards across Wales. The spot checks built on a series of unannounced reviews of care for older people being treated on medical wards in district general hospitals. The spot checks undertaken in November and December 2014 revealed areas of good and excellent practice across Wales, together with areas which required improvement. The spot checks have provided assurance that poor care and neglect are not systematic features of the care of elderly mental health patients in Wales. They highlight compassionate care provided by staff. The report on the spot checks recommends improvements and health boards are expected to continue to develop and improve services for older people with mental health problems both in hospitals and in the community.
- All three NHS trusts have reported a conclusion of no significant governance issues within their Annual Governance Statements.

### **Local health boards and NHS trust subject to escalation actions**

- In addition to the placing of Betsi Cadwaladr in special measures in June 2015, in accordance with the Welsh Government NHS Escalation and Intervention Arrangements, a number of NHS Wales organisations have been placed on escalated monitoring arrangements in the 2014-15 financial year, details of which are set out below.
- Abertawe Bro Morgannwg University Health Board was placed on enhanced monitoring following the escalation meeting that took place in June 2014. Following the Trusted to Care report, it was felt that Welsh Government should continue to work closely with the health board to be satisfied that the health board were addressing the issues raised and developing action plans. It was also noted that the health board had a number of performance challenges.
- Cardiff and Vale University Health board was placed on enhanced monitoring following the escalation meeting that took place in February 2015 as a consequence of a number of challenges the health board was experiencing, including
  - a significant concern around the board's ability to deliver against the full range of commitments it made in gaining approval for the 3 year IMTP in 2014/15;
  - patient safety concerns in unscheduled care, which need to be tackled with urgency and a clear sense of pace.
- Hywel Dda University Health board was placed on enhanced monitoring following the escalation meeting that took place in February 2015 due to areas of significant concern.
  - The organisation's ability to agree and deliver its commitments against an agreed three year IMTP that ensured safe and sustainable services that meet the needs of the local population, was a particular cause for concern.

- Issues arising from a recent cancer peer review, and
  - a national peer review of paediatric diabetology had identified a number of concerns at the health board.
- The Welsh Ambulance Services NHS Trust was placed on enhanced monitoring following the escalation meeting that took place in June 2014, due to continuing concerns around performance, including Category A response times and handover delays at hospital, and the potential impact this could have on patients.

### **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 2014-15. 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.
- No LHBs or NHS trusts have received a qualified audit opinion for 2014-15 in respect of the 'true and fair' or regularity opinion of the Auditor General for Wales. All LHBs and NHS trusts have had a narrative report placed on their accounts by the Auditor General for Wales to explain the new financial duties introduced by the NHS Finance (Wales) Act 2014 and Welsh Health Circular (2015) 014, and the organisations' performance against those duties.
- The narrative reports of three of the seven LHBs in Wales (Betsi Cadwaladr, Cardiff & Vale and Hywel Dda) note that they did not operate within their Revenue Resource allocation.
- All three NHS trusts in Wales reported surpluses in the 2014-15 financial year.
- The NHS Finance (Wales) Act 2014 and associated NHS Wales Planning Framework signalled a new medium-term approach to planning, requiring health boards and NHS trusts to set out how resources will be used over a three year period to:
  - address areas of population health need and improve health outcomes,
  - improve the quality of care, and
  - ensure best value from resources.

- For the 2014/15 financial year, three LHBs (Abertawe Bro Morgannwg, Cardiff & Vale and Cwm Taf) met their statutory duty to have an approved integrated medium term plan in place. One NHS trust (Velindre) met its administrative duty to have an approved integrated medium term plan in place. The remaining four LHBs (Aneurin Bevan, Betsi Cadwaladr, Hywel Dda and Powys) and two NHS trusts (Public Health Wales and Welsh Ambulance Services) operated an annual plan for the 2014/15 financial year.
- In relation to the requirement to submit integrated medium term plans for the period 2015/16 – 2017/18 the following five integrated medium term plans Cwm Taf University Health Board; Aneurin Bevan University Health Board; Powys teaching Local Health Board, Public Health Wales and Velindre NHS Trust were approved by the Minister for Health and Social services in June 2015. The plans of these organisations respond positively to the requirements of the planning framework. Welsh Government continue to work with two organisations, Abertawe Bro Morgannwg and Cardiff and Vale University Health Boards, to fully challenge and test the detail of their plans.
- The remaining two health boards and trust have concluded, for good reasons, that they are unable to submit robust integrated medium term plans at this point.
  - The Welsh Ambulance Services Trust has been through major changes in 2014/15 with the new Emergency Ambulance Services Committee and the Chief Ambulance Commissioner role being implemented. 2015/16 will be a pivotal year in the transformation of the service and there is already evidence of improvement in local planning and delivery. Welsh Government will continue to work with the organisation in this transformational year to support the development of medium term plan for 2016/17.
  - The plan for Hywel Dda UHB demonstrates considerable progress made in planning locally since the last cycle with a coherent plan emerging under the new leadership. The organisation recognises the work required to fully respond to the national planning requirements and is committed to continuing to work through these challenges over the course of the financial year.
  - Betsi Cadwaladr UHB faces a number of service and performance challenges which will require ongoing support through the financial year. The development of a clear and robust plan for the medium and longer term will form part of this ongoing support for the health board.
- These three organisations have been requested to develop a one-year plan reflecting key deliverables for this year as well as the key milestones for the ongoing development of their medium-term plan over the course of this financial year.


### **Disclosure of information to auditors**

24. 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 to the National Health Service (Wales) Act 2006 and to establish that the external auditor is aware of that information.



### Review of effectiveness

25. 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 DHSS Corporate Governance Committee and comments made by the external auditors in their management letter and other reports.
26. 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.
27. As Chief Executive NHS Wales I will be 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. I will work with the NHS Wales organisations on the successful implementation of three year integrated plans, and support the development of integrated plans for those who have yet to submit approvable sustainable three year plans. 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,**  
**Chief Executive NHS Wales, Health and Social Services Group.**  
**3 July 2015**

## **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. For the 2014-15 financial year to the 31 March 2015, the Permanent Secretary held the Accounting Officer responsibilities for the Department from the 1 April 2014 to 8 June 2014. Dr Andrew Goodall was appointed Director General on the 9 June 2014 and assumed the Additional Accounting Officer role for the Department from this date.

Under these arrangements, the Director General, Health, Chief Executive NHS Wales, Health and Social Services Group 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.

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

I certify that I have audited the financial statements of the Summarised Accounts of the Local Health Boards in Wales for the year ended 31 March 2015 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 the Financial Position, the Statement of Cash Flows and Statement of Changes in Tax Payers Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards.

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

As explained more fully in the Statement of Additional Accounting Officer's Responsibilities set out at page 2 the Chief Executive of NHS Wales as Additional Accounting Officer is responsible on behalf of the 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 thereunder, and for ensuring the regularity of financial transactions.

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

### **Scope of the audit of the financial statements**

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

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

In addition, I read all the financial and non-financial information in the Foreword 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 financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the Local Health Boards in Wales as at 31 March 2015 and of their net operating costs, their recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made thereunder by HM Treasury.

### **Opinion on Regularity**

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

### **Opinion on other matters**

In my opinion the information contained in the Foreword is consistent with the financial statements.

### **Matters on which I report by exception**

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

- the Annual Governance Statement does not reflect compliance with HM Treasury guidance;
- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting returns; or
- I have not received all the information and explanations I require for my audit.

### **Report**

Please see my Report on page 5.

Huw Vaughan Thomas  
Auditor General for Wales  
14 July 2015

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

## Report of the Auditor General to the National Assembly for Wales

On 1 April 2014 the NHS Finance (Wales) Act 2014 amended the NHS (Wales) Act 2006 and required LHBs to meet two new statutory financial duties.

The first financial duty gives additional resource flexibility to LHBs by allowing them to balance their income with their expenditure over a three-year rolling period, replacing the duty to balance their books over a one year period. The first three year period under this duty is 2014-15 to 2016-17, so LHBs' performance against this duty will not be measured until 2016-17.

Where an LHB does not balance its books over a rolling three-year period, any expenditure over the spending limit set for those three years, is 'irregular'. In such circumstances, I am required to qualify my 'regularity opinion' irrespective of the value of the excess spend. For the 2014-15 financial year, any excess spend against annual financial allocations is not irregular spend and so does not affect my regularity opinion.

The second financial duty is a new duty requiring 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 and delivery of the first financial duty. An LHB will be deemed to have met this duty for 2014-15 if it submitted a Board approved 2014-15 to 2016-17 plan to the Welsh Ministers, who then approved it by the date the Accountable Officer signed the 2014-15 Financial Statements.

I placed unqualified audit opinions on the 2014-15 financial statements of each of the seven Local Health Boards. For each of the financial statements I placed a narrative report alongside my audit certificate setting out the LHB's performance against the two financial duties. I have summarised those reports below.

### **Abertawe Bro Morgannwg University Health Board**

The LHB operated within its annual revenue and capital resource allocations. The LHB also met its second financial duty to have an approved three-year integrated medium term plan in place for the period 2014-15 to 2016-17.

The LHB's three-year integrated medium term plan for the period 2015-16 to 2017-18 is yet to be approved by the Minister for Health and Social Services,

### **Aneurin Bevan University Health Board**

The LHB operated within its annual revenue and capital resource allocations. The LHB did not meet its second financial duty to have an approved three-year integrated medium term plan in place for the period 2014-15 to 2016-17. Instead the LHB prepared an interim one-year operational and financial plan for 2014-15 as it did not believe that its draft three-year plan met fully either the Board's requirements or those set out in the NHS Finance (Wales) Act 2014. The Welsh Government confirmed in June 2014 that the LHB's draft three-year plan did not meet statutory requirements and therefore Ministerial approval was not given.

The LHB submitted its three-year integrated plan for the period 2015-16 to 2017-18, which the Minister for Health and Social Services approved on 2 June 2015.

### **Betsi Cadwaladr University Health Board**

The LHB did not operate within its annual revenue resource allocation, with an overspend of £26.6 million. The LHB operated within its capital resource allocation. The LHB did not meet its second financial duty to have an approved three-year integrated medium term plan in place for the period 2014-15 to 2016-17. In 2014 the LHB had agreed with the Welsh Government that it was unable to develop a three-year plan for 2014-15 to 2016-17 that would secure the approval of the Minister for Health and Social Services. Instead, with the agreement of the Welsh Government the LHB developed an 'Annual Operating Plan' for 2014-15. The LHB then focused on its three-year plan for 2015-16 to 2017-18, for submission in spring 2015.

The LHB has agreed with the Welsh Government that it is unable to develop a three-year plan for 2015-16 to 2017-18 that would secure the approval of the Welsh Ministers, and has instead commenced work to develop a three-year plan for 2016-17 to 2018-19, for submission in 2016. The LHB has acknowledged the need for

widespread engagement with the public, staff and its partner organisations to inform the future shape of health services across North Wales and to assist it in developing its three-year plan.

In agreement with the Welsh Government, the LHB has instead developed an 'Annual Operating Plan' for 2015-16, setting out the LHB's priorities for the current financial year. The LHB has also developed a one-year Interim Annual Financial Plan for 2015-16. The Welsh Government has asked the LHB to reconsider the financial plan in order to eliminate its forecast in-year deficit.

I intend to comment further on the financial performance and plans of the LHB in my follow-up report on its governance arrangements, which I will be undertaking jointly with Healthcare Inspectorate Wales later this year. That work will also take account of the implications of the Ministerial announcement on 8 June 2015 that the LHB was being placed into 'special measures', following a meeting between Welsh Government, the Wales Audit Office and Health Inspectorate Wales. This represents the highest level of escalation available to the Welsh Government.

### **Cardiff and Vale University Health Board**

The LHB did not operate within its annual revenue resource allocation, with an overspend of £21.364 million. The LHB operated within its capital resource allocation. The LHB met its second financial duty to have an approved three-year integrated medium term plan in place for the period 2014-15 to 2016-17, which the Minister for Health and Social Services approved on 7 May 2014.

The LHB has submitted its three year integrated plan for the period 2015-16 to 2017-18 for Ministerial consideration, which is yet to be approved by the Minister for Health and Social Services.

### **Cwm Taf University Health Board**

The LHB operated within both its annual revenue resource allocation and its annual capital resource allocation.

The LHB met its second financial duty to have an approved three-year integrated medium term plan in place for the period 2014-15 to 2016-17, which the Minister for Health and Social Services approved on 7 May 2014.

The LHB submitted its three-year integrated plan for the period 2015-16 to 2017-18, which the Minister for Health and Social Services approved on 2 June 2015.

### **Hywel Dda University Health Board**

The LHB did not operate within its annual revenue resource allocation, with an overspend of £7.5 million. The LHB operated within its capital resource allocation. The LHB did not meet its second financial duty to have an approved three-year integrated medium term plan in place for the period 2014-15 to 2016-17. In January 2014 the LHB had submitted an initial three-year integrated medium term plan to the Minister for Health and Social Services but the plan was not considered sufficiently robust to approve. In January 2015 the LHB submitted an updated three-year integrated medium term plan, and although the Minister for Health and Social Services noted that it was an improvement over the previous plan he did not consider the plan sufficiently robust to approve. The LHB is working on a revised three-year plan for 2015-16 to 2017-18.

### **Powys Teaching Local Health Board**

The LHB operated within both its annual revenue resource allocation and its annual capital resource allocation. The LHB did not meet its second financial duty to have an approved three-year integrated medium term plan in place for the period 2014-15 to 2016-17. On 31 March 2014 the LHB submitted a three year plan for the period 2014-15 to 2016-17 that showed expenditure to be significantly in excess of the anticipated resource limit over the three years. In May 2014 the Welsh Government confirmed that it was unable to approve the plan and required the LHB to set out clear deliverables and actions for 2014-15. A one year 'delivery agreement' plan was subsequently developed for 2014-15. In March 2015 the LHB approved its three year plan for the period 2015-16 to 2017-18, which the Minister for Health and Social Services approved in June 2015.

### Looking forward

For the current financial year staff of the Wales Audit Office are continuing to monitor the financial position of the LHBs and how well the new arrangements are being embedded and working in practice. I will be setting out the findings in my Structured Assessment reporting on each LHB, and in my reporting to the Welsh Government.

Huw Vaughan Thomas  
Auditor General for Wales  
14 July 2015

Wales Audit Office  
24 Cathedral Road  
Cardiff



## Statement of Comprehensive Net Expenditure for the year ended 31 March 2015


	Note	2014-15 £'000	2013-14 £'000
Expenditure on Primary Healthcare Services	2.1	<b>1,373,604</b>	1,351,930
Expenditure on healthcare from other providers	2.2	<b>932,765</b>	858,268
Expenditure on Hospital and Community Health Services	2.3	<b>3,810,637</b>	3,720,691
		<b>6,117,006</b>	5,930,889
Less: Miscellaneous Income	3	<b>(401,067)</b>	(399,827)
<b>LHB net operating costs before interest and other gains and losses</b>		<b>5,715,939</b>	5,531,062
Less :Investment Income	7	<b>(25)</b>	(25)
Other (Gains) / Losses	8	<b>(676)</b>	(605)
Finance costs	9	<b>6,814</b>	6,959
<b>Net operating costs for the financial year</b>		<b>5,722,052</b>	5,537,391
		<b>2014-15 £'000</b>	2013-14 £'000
<b>Other Comprehensive Net Expenditure</b>			
Net gain / (loss) on revaluation of property, plant and equipment		<b>47,434</b>	35,143
Net gain / (loss) on revaluation of available for sale financial assets		<b>(234)</b>	(158)
<b>Other comprehensive net expenditure for the year</b>		<b>47,200</b>	34,985
<b>Total comprehensive net expenditure for the year</b>		<b>5,674,852</b>	5,502,406

The notes on pages 13 to 54 form part of these accounts

## Statement of Financial Position as at 31 March 2015

	Notes	31 March 2015 £'000	31 March 2014 £'000 Restated
<b>Non-current assets</b>			
Property, plant and equipment	10.1	2,725,136	2,534,996
Intangible assets	11	8,998	5,762
Trade and other receivables	14	246,822	218,909
Other financial assets	18	785	814
<b>Total non-current assets</b>		<b>2,981,741</b>	<b>2,760,481</b>
<b>Current assets</b>			
Inventories	13	58,830	59,287
Trade and other receivables	14	317,724	271,553
Other financial assets	18	348	28
Cash and cash equivalents	17	11,462	5,079
		<b>388,364</b>	<b>335,947</b>
Non-current assets classified as "Held for Sale"	10.2	2,455	5,243
<b>Total current assets</b>		<b>390,819</b>	<b>341,190</b>
<b>Total assets</b>		<b>3,372,560</b>	<b>3,101,671</b>
<b>Current liabilities</b>			
Trade and other payables	15	611,126	545,399
Provisions	16	240,141	209,206
<b>Total current liabilities</b>		<b>851,267</b>	<b>754,605</b>
<b>Net current assets/ (liabilities)</b>		<b>(460,448)</b>	<b>(413,415)</b>
<b>Non-current liabilities</b>			
Trade and other payables	15	74,856	78,765
Provisions	16	276,108	248,084
<b>Total non-current liabilities</b>		<b>350,964</b>	<b>326,849</b>
<b>Total assets employed</b>		<b>2,170,329</b>	<b>2,020,217</b>
<b>Financed by :</b>			
<b>Taxpayers' equity</b>			
General Fund		1,843,230	1,686,878
Revaluation reserve		327,099	333,339
<b>Total taxpayers' equity</b>		<b>2,170,329</b>	<b>2,020,217</b>

The notes on pages 13 to 54 form part of these accounts



Dr Andrew Goodall  
 Director General, Health, Chief Executive NHS Wales, Health and Social Services Group.  
 3 July 2015

## Statement of Changes in Taxpayers' Equity

### For the year ended 31 March 2015

	General Fund £'000	Revaluation reserve £'000	Total reserves £'000
<b>Changes in taxpayers' equity for 2014-15</b>			
<b>Balance at 1 April 2014</b>	1,686,878	333,339	<b>2,020,217</b>
Net operating cost for the year	(5,722,052)	-	<b>(5,722,052)</b>
Net gain/(loss) on revaluation of property, plant and equipment	-	47,434	<b>47,434</b>
Net gain/(loss) on revaluation of assets held for sale	-	(234)	<b>(234)</b>
Transfers between reserves	53,440	(53,440)	-
<b>Total recognised income and expense for 2014-15</b>	(5,668,612)	(6,240)	<b>(5,674,852)</b>
Net Welsh Government funding	5,824,964	-	<b>5,824,964</b>
<b>Balance at 31 March 2015</b>	<b>1,843,230</b>	<b>327,099</b>	<b>2,170,329</b>

The notes on pages 13 to 54 form part of these accounts

## Statement of Changes in Taxpayers' Equity

### For the year ended 31 March 2014

	General Fund £000	Revaluation reserve £000	Total reserves £000
<b>Changes in taxpayers' equity for 2013-14</b>			
<b>Balance at 1 April 2013</b>	1,620,078	309,615	<b>1,929,693</b>
Net operating cost for the year	(5,537,391)	-	(5,537,391)
Net gain/(loss) on revaluation of property, plant and equipment	(68)	35,211	<b>35,143</b>
Net gain/(loss) on revaluation of assets held for sale	-	(158)	(158)
Transfers between reserves	11,329	(11,329)	-
<b>Total recognised income and expense for 2013-14</b>	(5,526,130)	23,724	<b>(5,502,406)</b>
Net Welsh Government funding	5,592,930	-	<b>5,592,930</b>
<b>Balance at 31 March 2014</b>	<b>1,686,878</b>	<b>333,339</b>	<b>2,020,217</b>

The notes on pages 13 to 54 form part of these accounts

## Statement of Cash flows for year ended 31 March 2015

	2014-15	2013-14
	£'000	£'000
<b>Cash Flows from operating activities</b>	notes	
Net operating costs for the financial year	(5,722,052)	(5,537,391)
Movements in Working Capital	29 (34,269)	(69,229)
Other cash flow adjustments	30 282,040	297,609
Provisions utilised	16 (98,296)	(89,117)
<b>Net cash outflow from operating activities</b>	<u>(5,572,577)</u>	<u>(5,398,128)</u>
<b>Cash Flows from investing activities</b>		
Purchase of property, plant and equipment	(248,127)	(205,966)
Proceeds from disposal of property, plant and equipment	6,288	12,188
Purchase of intangible assets	(4,165)	(2,743)
<b>Net cash outflow from investing activities</b>	<u>(246,004)</u>	<u>(196,521)</u>
<b>Net cash outflow before financing</b>	<u>(5,818,581)</u>	<u>(5,594,649)</u>
<b>Cash flows from financing activities</b>		
Welsh Government funding (including capital)	5,824,964	5,592,930
<b>Net financing</b>	<u>5,824,964</u>	<u>5,592,930</u>
<b>Net decrease in cash and cash equivalents</b>	6,383	(1,719)
<b>Cash and cash equivalents at 1 April 2014</b>	5,079	6,798
<b>Cash and cash equivalents at 31 March 2015</b>	<u>11,462</u>	<u>5,079</u>

The notes on pages 13 to 54 form part of these accounts

## Notes to the Accounts

### 1. Accounting policies

The accounts have been prepared in accordance with the 2014-15 Financial Reporting Manual (FReM) issued by HM Treasury. These reflect International Financial Reporting Standards (IFRS) and these statements have been prepared to show the effect of the adoption of the European Union version IFRS. The particular accounting policies adopted by the Local Health Boards (LHB) are described below. They have been applied in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

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

#### 1.3 Income and funding

The main source of funding for the 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.

#### 1.4 Employee benefits

##### Short-term employee benefits

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

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

## **Retirement benefit costs**

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

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

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

## **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.

## **1.5 Other expenses**

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

## **1.6 Property, plant and equipment**

### **Recognition**

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the LHB;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or

Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or

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

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

## Valuation

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

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

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

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

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

In 2012-13 a formal revaluation exercise by the District Valuation Office was applied to the land and properties of NHS Wales as from 1 April 2012. 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. Gains and losses recognised in the Revaluation Reserve are reported in the Statement of Net Comprehensive Expenditure. However, to ensure that the outcome as reflected in the reserves figure on the Statement of Financial Position is consistent with the requirements of IAS 36 had this adaptation not been applied, the balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 should be transferred to the General Fund.

## Subsequent expenditure

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



## 1.7 Intangible assets

### Recognition

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

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

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

### Measurement

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

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

## 1.8 Depreciation, amortisation and impairments

Freehold land and 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.

## **1.9 Research and Development**

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

### **1.10 Donated assets**

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

### **1.11 Government grants**

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

### **1.12 Non-current assets held for sale**

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

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the 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.

### **1.13 Leases**

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

#### **1.13.1 The Local Health Board as lessee**

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

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

#### **1.13.2 The Local Health Board as lessor**

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

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

#### **1.14 Inventories**

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

#### **1.15 Cash and cash equivalents**

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

#### **1.16 Provisions**

Provisions are recognised when the LHB has a present legal or constructive obligation as a result of a past event, it is probable that the LHB will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the 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.

### **1.17 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 2014-15. The Welsh Risk Pool is hosted by Velindre NHS Trust.

### **1.18 Financial assets**

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

#### **1.18.1 Financial assets are initially recognised at fair value.**

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

#### **1.18.2 Financial assets at fair value through SoCNE**

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

#### **1.18.3 Held to maturity investments**

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

#### **1.18.4 Available for sale financial assets**

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

#### **1.18.5 Loans and receivables**

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

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

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

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

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

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

### **1.19 Financial liabilities**

Financial liabilities are recognised on the 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.

#### **1.19.1 Financial liabilities are initially recognised at fair value.**

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

#### **1.19.2 Financial liabilities at fair value through SoCNE**

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

#### **1.19.3 Other financial liabilities**

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

### **1.20 Value Added Tax**

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

### **1.21 Foreign currencies**

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

### **1.22 Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the LHBs have no beneficial interest in them. Details of third party assets are given in note 21 to the accounts.

### **1.23 Losses and Special Payments**

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

Losses and special payments are charged to the relevant functional headings in the 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.

### **1.24 Pooled budgets**

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

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

## 1.25 Private Finance Initiative (PFI) transactions

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

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

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

### Services received

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

### PFI 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.

**1.26 Contingencies**

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

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

**1.27 Carbon Reduction Commitment Scheme**

Carbon Reduction Commitment Scheme allowances are accounted for as government grant funded intangible assets if they are not realised within twelve months and otherwise as current assets. The asset should be measured initially at cost. Scheme assets in respect of allowances shall be valued at fair value where there is evidence of an active market.



### **1.28 Absorption accounting**

Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required. For transfers of functions involving NHS Wales Trusts in receipt of PDC the double entry for the fixed asset NBV value and the net movement in assets is PDC or General Reserve as appropriate.

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

### **1.29 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 13 Fair Value Measurement - subject to consultation - due for adoption in 2015-16  
IPSAS 32 - Service Concession Arrangement - subject to consultation

### **1.30 Accounting standards that have been adopted early**

No accounting standards issued have been adopted early.

### **1.31 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.

## 2. Analysis of gross operating costs

### 2.1 Expenditure on Primary Healthcare Services

	Cash limited £'000	Non-cash limited £'000	2014-15 Total £'000	2013-14 £'000
General Medical Services	476,121	-	476,121	470,672
Pharmaceutical Services	151,665	3,936	155,601	158,499
General Dental Services	172,221	-	172,221	169,980
General Ophthalmic Services	41	31,975	32,016	31,968
Other Primary Health Care expenditure	25,685	-	25,685	21,006
Prescribed drugs and appliances	511,960	-	511,960	499,805
<b>Total</b>	<b>1,337,693</b>	<b>35,911</b>	<b>1,373,604</b>	<b>1,351,930</b>

### 2.2 Expenditure on healthcare from other providers

	2014-15 £'000	2013-14 £'000
Goods and services from other NHS Wales Trusts	238,744	225,590
Goods and services from other non Welsh NHS bodies	247,255	227,784
Local Authorities	24,893	24,913
Voluntary organisations	33,022	30,425
NHS Funded Nursing Care	40,124	36,442
Continuing Care	305,232	277,974
Private providers	43,015	34,718
Specific projects funded by the Welsh Assembly Government	11	-
Other	469	422
<b>Total</b>	<b>932,765</b>	<b>858,268</b>

### 2.3 Expenditure on Hospital and Community Health Services

	2014-15 £'000	2013-14 £'000
Directors' costs	12,525	12,822
Staff costs	2,817,961	2,745,166
Supplies and services - clinical	527,975	477,939
Supplies and services - general	55,137	46,591
Consultancy Services	6,600	5,437
Establishment	57,401	62,442
Transport	12,170	11,884
Premises	133,530	121,528
External Contractors	2,661	834
Depreciation	131,913	125,862
Amortisation	1,768	1,605
Fixed asset impairments and reversals (Property, plant & equipment)	3,962	46,478
Impairments and reversals of non-current assets held for sale	(40)	725
Audit fees	2,814	2,838
Other auditors' remuneration	5	-
Losses, special payments and irrecoverable debts	24,603	24,100
Research and Development	792	478
Other operating expenses	18,860	33,962
<b>Total</b>	<b>3,810,637</b>	<b>3,720,691</b>

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

	2014-15 £'000	2013-14 £'000
<b>Increase/(decrease) in provision for future payments:</b>	<b>£'000</b>	<b>£'000</b>
Clinical negligence	139,076	110,539
Personal injury	11,742	5,076
	4,185	5,252
Defence legal fees and other administrative costs	1,488	5,583
Gross increase/(decrease) in provision for future payments	156,491	126,450
Premium for other insurance arrangements	685	616
Irrecoverable debts	3,290	1,197
<b>Less: income received/ due from Welsh Risk Pool</b>	<b>(135,016)</b>	<b>(104,163)</b>
<b>Total</b>	<b>25,450</b>	<b>24,100</b>

Personal injury includes £5,101,412 (2013-14: £2,553,720) in respect of permanent injury benefits

Payments in respect of clinical redress were £1,398,753 (2013-14: £1,083,305)

### 3. Miscellaneous Income

	2014-15 £'000	2013-14 £'000
NHS trusts	26,802	27,231
Other NHS England bodies	29,375	27,512
Foundation Trusts	651	498
Local authorities	57,287	40,365
Welsh Government	32,701	47,625
Non NHS:		
Prescription charge income	255	109
Dental fee income	33,568	30,182
Private patient income	6,798	6,979
Overseas patients (non-reciprocal)	297	517
Injury Costs Recovery (ICR) Scheme	12,930	12,833
Other income from activities	8,315	11,766
Patient transport services	-	1
Education, training and research	119,936	123,148
Charitable and other contributions to expenditure	5,178	6,306
Receipt of donated assets	10,619	3,901
Receipt of Government granted assets	1,434	107
Non-patient care income generation schemes	2,993	3,157
Business Services Centre / Business Services Partnership	11	42
Deferred income released to revenue	1,051	193
Rental income from operating leases	1,302	1,181
Other income:		
Provision of laundry, pathology, payroll services	4,680	4,729
Accommodation and catering charges	14,749	14,606
Mortuary fees	1,742	1,449
Staff payments for use of cars	3,447	3,321
Business units	449	1,901
Other	24,497	30,168
<b>Total</b>	<b>401,067</b>	<b>399,827</b>

ICR income is subject to a provision for impairment of 18.9% (2013-14 15.8%) to reflect expected rates of collection.

#### 4. Employee benefits and staff numbers

4.1 Employee costs	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	
	£'000	£'000	£'000	2014-15 £'000	2013-14 £'000
Salaries and wages	2,327,872	6,312	87,019	<b>2,421,203</b>	2,345,127
Social security costs	173,639	46	-	<b>173,685</b>	172,752
Employer contributions to NHS Pension Scheme	277,648	72	-	<b>277,720</b>	276,494
Other pension costs	639	-	-	<b>639</b>	931
Termination benefits	3,809	-	-	<b>3,809</b>	4,183
<b>Total</b>	<b>2,783,607</b>	<b>6,430</b>	<b>87,019</b>	<b>2,877,056</b>	<b>2,799,487</b>
Charged to capital				<b>4,240</b>	4,066
Charged to revenue				<b>2,872,816</b>	2,795,421
				<b>2,877,056</b>	<b>2,799,487</b>

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.

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Total	
	Number	Number	Number	2014-15 Number	2013-14 Number Restated
Medical and dental	6,074	49	313	<b>6,436</b>	6,426
Administrative and estates	11,615	29	174	<b>11,818</b>	11,816
Healthcare assistants and other support staff	11,324	1	82	<b>11,407</b>	11,368
Nursing, midwifery and health visiting staff	27,337	9	561	<b>27,907</b>	26,541
Nursing, midwifery and health visiting learners	20	-	-	<b>20</b>	21
Scientific, therapeutic and technical staff	8,923	7	33	<b>8,963</b>	9,763
Other	-	6	-	<b>6</b>	8
<b>Total</b>	<b>65,293</b>	<b>101</b>	<b>1,163</b>	<b>66,557</b>	<b>66,010</b>

The Administrative and estates and Healthcare assistants and other support staff have been re-classified at Hywel Dda Health Board for the 2013-14 financial year.

#### 4.3. Retirements due to ill-health

During 2014-15 there were 142 (2013-14 118) early retirements from LHBs agreed on the grounds of ill-health.

The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £7,995,840 (2013-14 £7,575,843).

#### 4.4 Employee benefits

There were no employee benefit schemes operating in 2014-15.

#### 4.5 Pension costs

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

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

##### a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary 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 are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2015 is based on valuation data as 31 March 2014, updated to 31 March 2015 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

##### 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 scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

The Scheme Regulations allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

##### c) Scheme provisions

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

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

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

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

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

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

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

[Where the organisation has employees who are members of other schemes, disclosures will be required in respect of them too]

#### 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.

Currently, the legal minimum level of contributions is 2 per cent of a jobholder's qualifying earnings for employers whose legal duties have started. Of this, the employer needs to pay at least 1 per cent, though they can pay more if they want to.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £5,772 and £41,865 for the 2014/2015 tax year.

NEST has an annual contribution limit of £4,600 for the 2014/15 tax year (£4,500 for 2013-14). This means the most that can be contributed to a single pot in the current tax year is £4,600. This figure will be adjusted annually in line with average earnings.

The annual contribution limit includes member contributions, money from their employer and any tax relief. It also includes any money paid in by someone else on behalf of the member, such as a member's partner or spouse.

## 5. Operating leases

### LHB as lessee

Detailed disclosures are made in the individual LHB accounts.

<b>Payments recognised as an expense</b>	<b>2014-15</b>	<b>2013-14</b>
	<b>£'000</b>	<b>£'000</b>
Minimum lease payments	<b>21,842</b>	20,284
<b>Total</b>	<b>21,842</b>	<b>20,284</b>

### Total future minimum lease payments

<b>Payable</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	<b>17,734</b>	18,384
Between one and five years	<b>39,728</b>	38,949
After 5 years	<b>35,155</b>	
<b>Total</b>	<b>92,617</b>	<b>91,172</b>

### LHB as lessor

<b>Rental revenue</b>	<b>£'000</b>	<b>£'000</b>
Rent	<b>1,026</b>	628
<b>Total revenue rental</b>	<b>1,026</b>	<b>628</b>

### Total future minimum lease payments

<b>Receivable</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	<b>943</b>	476
Between one and five years	<b>739</b>	657
After 5 years	<b>996</b>	1,081
<b>Total</b>	<b>2,678</b>	<b>2,214</b>

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

	2014-15	2013-14
	£	£
Amounts included within finance costs from claims made under this legislation	-	135
Compensation paid to cover debt recovery costs under this legislation	479	-
<b>Total</b>	<b>479</b>	<b>135</b>



**7. Investment Income**

	<b>2014-15</b>	2013-14
	<b>£'000</b>	£'000
<b>Interest revenue :</b>		
Bank accounts	<b>1</b>	1
Other financial assets	<b>24</b>	24
<b>Total</b>	<b>25</b>	25

**8. Other gains and losses**

	<b>2014-15</b>	2013-14
	<b>£'000</b>	£'000
Gain/(loss) on disposal of property, plant and equipment	<b>68</b>	238
Gain/(loss) on disposal of intangible assets	-	(87)
Gain/(loss) on disposal of assets held for sale	<b>608</b>	454
<b>Total</b>	<b>676</b>	605

**9. Finance costs**

	<b>2014-15</b>	2013-14
	<b>£'000</b>	£'000
Interest on obligations under finance leases	<b>110</b>	123
Interest on obligations under PFI contracts		
main finance cost	<b>5,279</b>	5,391
	<b>2,265</b>	1,829
Other interest expense	-	1
<b>Total interest expense</b>	<b>7,654</b>	7,344
Provisions unwinding of discount	<b>(840)</b>	(385)
<b>Total</b>	<b>6,814</b>	6,959

## 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
<b>Cost or valuation at 1 April 2014</b>	351,621	1,901,616	46,579	191,841	483,757	6,196	102,194	25,371	3,109,175
Indexation	6,124	46,612	1,910	-	4,812	61	7	251	59,777
Additions - purchased	1,846	29,044	(48)	175,718	41,896	146	19,965	1,480	270,047
Additions - donated	-	410	-	2,809	6,915	-	224	-	10,358
Additions - government granted	-	424	-	633	51	-	264	62	1,434
Reclassifications	-	136,927	(1,014)	(136,902)	390	-	127	93	(379)
Revaluations	20	(731)	-	-	-	-	-	-	(711)
Reversal of impairments	907	48,417	404	-	2	-	-	-	49,730
Impairments	(423)	(48,420)	(54)	-	(911)	-	(201)	(21)	(50,030)
Reclassified as held for sale	(1,278)	(1,077)	(36)	-	(64)	-	-	-	(2,455)
Disposals	(182)	(3,926)	(317)	-	(27,429)	(269)	(11,586)	(2,118)	(45,827)
<b>At 31 March 2015</b>	<b>358,635</b>	<b>2,109,296</b>	<b>47,424</b>	<b>234,099</b>	<b>509,419</b>	<b>6,134</b>	<b>110,994</b>	<b>25,118</b>	<b>3,401,119</b>
<b>Depreciation at 1 April 2014</b>	-	144,740	2,871	1,792	336,164	5,183	70,052	13,377	574,179
Indexation	399	7,915	228	-	3,336	52	-	131	12,061
Reclassifications	-	73	(37)	-	(492)	-	258	59	(139)
Revaluations	-	(429)	-	-	-	-	-	-	(429)
Reversal of impairments	(399)	(719)	(98)	-	1	-	-	-	(1,215)
Impairments	155	5,665	(132)	-	(661)	-	(136)	(14)	4,877
Disposals	-	(3,799)	(216)	-	(27,289)	(268)	(11,575)	(2,117)	(45,264)
Provided during the year	-	76,586	1,489	-	38,995	373	11,837	2,633	131,913
<b>At 31 March 2015</b>	<b>155</b>	<b>230,032</b>	<b>4,105</b>	<b>1,792</b>	<b>350,054</b>	<b>5,340</b>	<b>70,436</b>	<b>14,069</b>	<b>675,983</b>
<b>Net book value at 1 April 2014</b>	<b>351,621</b>	<b>1,756,876</b>	<b>43,708</b>	<b>190,049</b>	<b>147,593</b>	<b>1,013</b>	<b>32,142</b>	<b>11,994</b>	<b>2,534,996</b>
<b>Net book value at 31 March 2015</b>	<b>358,480</b>	<b>1,879,264</b>	<b>43,319</b>	<b>232,307</b>	<b>159,365</b>	<b>794</b>	<b>40,558</b>	<b>11,049</b>	<b>2,725,136</b>
<b>Net book value at 31 March 2015 comprises :</b>									
Purchased	354,851	1,847,901	43,319	232,268	145,331	777	39,673	10,762	2,674,882
Donated	3,629	29,949	-	-	13,911	1	543	190	48,223
Government Granted	-	1,414	-	39	123	16	342	97	2,031
	<b>358,480</b>	<b>1,879,264</b>	<b>43,319</b>	<b>232,307</b>	<b>159,365</b>	<b>794</b>	<b>40,558</b>	<b>11,049</b>	<b>2,725,136</b>
<b>Asset financing :</b>									
Owned	347,203	1,786,358	41,100	232,307	156,741	794	40,558	11,049	2,616,110
Held on finance lease	-	2,839	-	-	1,819	-	-	-	4,658
On-SoFP PFI contracts	11,277	90,067	2,219	-	805	-	-	-	104,368
Total	<b>358,480</b>	<b>1,879,264</b>	<b>43,319</b>	<b>232,307</b>	<b>159,365</b>	<b>794</b>	<b>40,558</b>	<b>11,049</b>	<b>2,725,136</b>

## The net book value of land, buildings and dwellings at 31 March 2015 comprises :

	£'000
Freehold	2,172,015
Long Leasehold	82,312
Short Leasehold	26,736
	<b>2,281,063</b>

## 10.1 Property, plant and equipment

	Land £'000	Buildings, excluding dwellings £'000	Dwellings £'000	Assets under construction on account £'000	Plant and machinery £'000	Transport equipment £'000	Information technology £'000	Furniture & fittings £'000	Total £'000
<b>Cost or valuation at 1 April 2013</b>	362,232	1,815,276	46,756	146,546	482,554	6,549	101,508	24,791	2,986,212
Indexation	-	32,092	929	-	-	-	-	-	33,021
Additions - purchased	149	19,416	713	139,007	28,829	30	6,642	1,001	195,787
Additions - donated	-	519	-	147	2,907	-	272	36	3,881
Additions - government granted	-	25	-	-	36	18	28	-	107
Reclassifications	-	93,144	7	(93,489)	450	-	(132)	20	-
Revaluations	-	1,058	-	-	-	-	-	-	1,058
Reversal of impairments	-	7,267	-	-	-	-	-	-	7,267
Impairments	(1,487)	(51,466)	(1,327)	(370)	(104)	-	(232)	-	(54,986)
Reclassified as held for sale	(3,588)	(14,658)	(499)	-	-	-	-	-	(18,745)
Disposals	(5,685)	(1,057)	-	-	(30,915)	(401)	(5,892)	(477)	(44,427)
<b>At 31 March 2014</b>	<b>351,621</b>	<b>1,901,616</b>	<b>46,579</b>	<b>191,841</b>	<b>483,757</b>	<b>6,196</b>	<b>102,194</b>	<b>25,371</b>	<b>3,109,175</b>
<b>Depreciation at 1 April 2013</b>	-	89,990	1,895	1,879	327,842	5,093	63,991	11,299	501,989
Indexation	-	1,678	30	-	-	-	-	-	1,708
Reclassifications	-	87	-	(87)	41	-	(49)	8	-
Revaluations	-	(2,772)	-	-	-	-	-	-	(2,772)
Reversal of impairments	-	107	-	-	-	-	-	-	107
Impairments	-	(1,016)	(146)	-	(49)	-	(137)	-	(1,348)
Reclassified as held for sale	-	(12,703)	(335)	-	-	-	-	-	(13,038)
Disposals	-	(705)	-	-	(30,857)	(401)	(5,890)	(476)	(38,329)
Provided during the year	-	70,074	1,427	-	39,187	491	12,137	2,546	125,862
<b>At 31 March 2014</b>	<b>-</b>	<b>144,740</b>	<b>2,871</b>	<b>1,792</b>	<b>336,164</b>	<b>5,183</b>	<b>70,052</b>	<b>13,377</b>	<b>574,179</b>
<b>Net book value at 1 April 2013</b>	<b>362,232</b>	<b>1,725,286</b>	<b>44,861</b>	<b>144,667</b>	<b>154,712</b>	<b>1,456</b>	<b>37,517</b>	<b>13,492</b>	<b>2,484,223</b>
<b>Net book value at 31 March 2014</b>	<b>351,621</b>	<b>1,756,876</b>	<b>43,708</b>	<b>190,049</b>	<b>147,593</b>	<b>1,013</b>	<b>32,142</b>	<b>11,994</b>	<b>2,534,996</b>
<b>Net book value at 31 March 2014 comprises :</b>									
Purchased	348,063	1,728,002	43,708	189,903	137,943	969	31,545	11,721	2,491,854
Donated	3,558	27,972	-	146	9,560	26	466	230	41,958
Government Granted	-	902	-	-	90	18	131	43	1,184
	351,621	1,756,876	43,708	190,049	147,593	1,013	32,142	11,994	2,534,996
<b>Asset financing :</b>									
Owned	340,566	1,665,320	41,538	190,049	145,196	1,013	32,142	11,994	2,427,818
Held on finance lease	-	3,017	-	-	2,206	-	-	-	5,223
On-SoFP PFI contracts	11,055	88,539	2,170	-	191	-	-	-	101,955
Total	351,621	1,756,876	43,708	190,049	147,593	1,013	32,142	11,994	2,534,996

## The net book value of land, buildings and dwellings at 31 March 2014 comprises :

	£'000
Freehold	2,044,767
Long Leasehold	81,186
Short Leasehold	26,252
	<b>2,152,205</b>

The LHB Land and Buildings were revalued by the District Valuation Service with an effective date of 1st April 2012. The valuation has been prepared in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, 6th edition. LHB's 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 IAS16 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. Property, plant and equipment (continued)**

<b>10.2 Non-current assets held for sale</b>	<b>Land</b>	<b>Buildings, including dwelling</b>	<b>Other property, plant and equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Balance brought forward 1 April 2014</b>	3,866	1,377	-	<b>5,243</b>
Plus assets classified as held for sale in the year	2,068	1,311	64	<b>3,443</b>
Revaluation	29	(217)	(46)	<b>(234)</b>
Less assets sold in the year	(3,583)	(1,402)	(64)	<b>(5,049)</b>
Reversal of impairments	63	186	46	<b>295</b>
Less impairment of assets held for sale	(255)	-	-	<b>(255)</b>
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(790)	(198)	-	<b>(988)</b>
<b>Balance carried forward 31 March 2015</b>	<b>1,398</b>	<b>1,057</b>	<b>-</b>	<b>2,455</b>
<b>Balance brought forward 1 April 2013</b>	4,173	1,644	-	<b>5,817</b>
Plus assets classified as held for sale in the year	3,588	2,119	-	<b>5,707</b>
Revaluation	(22)	(136)	-	<b>(158)</b>
Less assets sold in the year	(3,776)	(1,622)	-	<b>(5,398)</b>
Less impairment of assets held for sale	(97)	(628)	-	<b>(725)</b>
<b>Balance carried forward 31 March 2014</b>	<b>3,866</b>	<b>1,377</b>	<b>-</b>	<b>5,243</b>

## 11. Intangible non-current assets

	Software (purchased)	Licences and trademarks	Carbon Reduction Commitment	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation at 1 April 2014</b>	14,546	91	-	<b>14,637</b>
Reclassifications	(96)	475	-	<b>379</b>
Additions- purchased	2,142	2,308	53	<b>4,503</b>
Additions- donated	261	-	-	<b>261</b>
Disposals	(1,299)	-	-	<b>(1,299)</b>
<b>Gross cost at 31 March 2015</b>	<b>15,554</b>	<b>2,874</b>	<b>53</b>	<b>18,481</b>
<b>Amortisation at 1 April 2014</b>	8,847	28	-	<b>8,875</b>
Reclassifications	95	44	-	<b>139</b>
Provided during the year	1,650	118	-	<b>1,768</b>
Disposals	(1,299)	-	-	<b>(1,299)</b>
<b>Amortisation at 31 March 2015</b>	<b>9,293</b>	<b>190</b>	<b>-</b>	<b>9,483</b>
<b>Net book value at 1 April 2014</b>	<b>5,699</b>	<b>63</b>	<b>-</b>	<b>5,762</b>
<b>Net book value at 31 March 2015</b>	<b>6,261</b>	<b>2,684</b>	<b>53</b>	<b>8,998</b>
Purchased	5,962	2,684	53	<b>8,699</b>
Donated	299	-	-	<b>299</b>
<b>Total at 31 March 2015</b>	<b>6,261</b>	<b>2,684</b>	<b>53</b>	<b>8,998</b>

**11. Intangible non-current assets**

	Software (purchased)	Licences and trademarks	Carbon Reduction Commitment	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation at 1 April 2013</b>	12,007	39	87	12,133
Additions- purchased	2,683	60	-	2,743
Additions- donated	20	-	-	20
Disposals	(164)	(8)	(87)	(259)
<b>Gross cost at 31 March 2014</b>	<b>14,546</b>	<b>91</b>	<b>-</b>	<b>14,637</b>
<b>Amortisation at 1 April 2013</b>	7,430	12	-	7,442
Provided during the year	1,600	5	-	1,605
Transfers	(19)	19	-	-
Disposals	(164)	(8)	-	(172)
<b>Amortisation at 31 March 2014</b>	<b>8,847</b>	<b>28</b>	<b>-</b>	<b>8,875</b>
<b>Net book value at 1 April 2013</b>	<b>4,577</b>	<b>27</b>	<b>87</b>	<b>4,691</b>
<b>Net book value at 31 March 2014</b>	<b>5,699</b>	<b>63</b>	<b>-</b>	<b>5,762</b>
Purchased	5,633	63	-	5,696
Donated	64	-	-	64
Government Granted	2	-	-	2
<b>Total at 31 March 2014</b>	<b>5,699</b>	<b>63</b>	<b>-</b>	<b>5,762</b>

**12. Impairments**

	<b>2014-15</b>	2013-14
	<b>Property, plant &amp; equipment £'000</b>	Property, plant & equipment £'000
Impairments arising from :		
Loss or damage from normal operations	<b>10</b>	(5,534)
Changes in market price	<b>543</b>	766
Others (specify)	<b>3,369</b>	51,971
<b>Total of all impairments</b>	<b><u>3,922</u></b>	<u>47,203</u>

**Analysis of impairments charged to reserves in year :**

Charged to the Statement of Comprehensive Net Expenditure	<b>3,922</b>	47,203
Charged to Revaluation Reserve	<b>363</b>	-
	<b><u>4,285</u></b>	<u>47,203</u>

**13.1 Inventories**

	<b>31 March</b>	31 March
	<b>2015</b>	2014
	<b>£'000</b>	£'000
Drugs	<b>21,323</b>	19,241
Consumables	<b>36,632</b>	38,898
Energy	<b>845</b>	1,109
Other	<b>30</b>	39
<b>Total</b>	<b><u>58,830</u></b>	<u>59,287</u>

**13.2 Inventories recognised in expenses**

Inventories recognised as an expense in the period	<b>175,119</b>	160,684
Write-down of inventories (including losses)	<b>777</b>	473
<b>Total</b>	<b><u>175,896</u></b>	<u>161,157</u>

## 14. Trade and other receivables

<b>Current</b>	<b>31 March 2015 £'000</b>	31 March 2014 £'000
		Re-presented
Welsh Government	<b>1,289</b>	3,437
Welsh NHS Trusts	<b>5,309</b>	4,242
Non - Welsh Trusts	<b>5,819</b>	7,113
Other NHS	<b>1,323</b>	2,740
Welsh Risk Pool	<b>220,280</b>	178,501
Local Authorities	<b>20,924</b>	13,410
Capital debtors	<b>112</b>	528
Other debtors	<b>51,511</b>	46,112
Provision for irrecoverable debts	<b>(10,218)</b>	(7,164)
Other prepayments	<b>17,542</b>	17,768
Other accrued income	<b>3,833</b>	4,866
<b>Sub total</b>	<b>317,724</b>	271,553
<b>Non-current</b>		
Welsh Risk Pool	<b>239,101</b>	210,462
Other debtors	<b>5,903</b>	6,114
Provision for irrecoverable debts	<b>(1,571)</b>	(961)
Other prepayments and accrued income	<b>1,316</b>	1,349
Other accrued income	<b>2,073</b>	1,945
<b>Sub total</b>	<b>246,822</b>	218,909
	<b>564,546</b>	490,462
<b>Receivables past their due date but not impaired</b>		
By up to three months	<b>15,532</b>	12,900
By three to six months	<b>3,182</b>	2,602
By more than six months	<b>8,116</b>	9,436
	<b>26,830</b>	24,938
<b>Provision for impairment of receivables</b>		
Balance at 1 April	<b>(8,126)</b>	(7,181)
Amount written off during the year	<b>531</b>	945
Amount recovered during the year	<b>481</b>	168
(Increase) / decrease in receivables impaired	<b>(4,696)</b>	(2,058)
Bad debts recovered during year	<b>21</b>	-
Balance at 31 March	<b>(11,789)</b>	(8,126)
<b>Receivables VAT</b>		
Trade receivables	<b>3,715</b>	3,110
Other	<b>2,202</b>	1,931
Total	<b>5,917</b>	5,041



**15. Trade and other payables**

<b>Current</b>	<b>31 March 2015 £'000</b>	31 March 2014 £'000 Restated
Welsh Government	300	439
Welsh NHS Trusts	15,354	10,954
Other NHS	60,059	49,113
Taxation and social security payable / refunds	8,157	23,199
VAT payable to HMRC	110	118
Other taxes payable to HMRC	2,861	8,646
NI contributions payable to HMRC	12,845	22,956
Non-NHS creditors	109,073	98,016
Local Authorities	25,842	21,714
Capital Creditors	54,370	32,325
Obligations under finance leases, HP contracts	724	830
Imputed finance lease element of on SoFP PFI contracts	3,558	3,325
Pensions: staff	19,821	20,145
Accruals	296,526	258,049
Deferred Income brought forward	2,133	2,085
Deferred Income Additions	1,450	1,329
Released to SoCNE	(1,289)	(1,281)
Other creditors	24,724	14,015
PFI assets –deferred credits	292	292
Payments on account	(25,784)	(20,870)
<b>Total</b>	<b>611,126</b>	<b>545,399</b>
<b>Non-current</b>		
Obligations under finance leases, HP contracts	3,187	3,923
Imputed finance lease element of on SoFP PFI contracts	71,067	73,948
PFI assets –deferred credits	602	894
<b>Sub-total</b>	<b>74,856</b>	<b>78,765</b>
<b>Total</b>	<b>685,982</b>	<b>624,164</b>

Other liabilities included in the 2013-14 LHB Annual Accounts have been reclassified as trade and other payables. Therefore, PFI assets- deferred credits and Payments on account have been included in this category for 2014-15 and the comparative figures for 2013-14 have also been included.

## 16. Provisions

	At 1 April 2014	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 2015
	£'000	£000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Current</b>									
Clinical negligence	164,668	(2,818)	(4,415)	15,032	163,813	(63,362)	(74,623)	(1,234)	197,061
Personal injury	8,145	-	(361)	1,716	12,944	(6,750)	(3,323)	272	12,643
All other losses and special payments	608	-	-	616	4,329	(4,228)	(144)	-	1,181
Defence legal fees and other administration	8,929	-	-	1,175	7,780	(3,154)	(7,029)	-	7,701
Pensions relating to former directors	8	-	-	3	6	(9)	-	-	8
Pensions relating to other staff	2,128	-	-	913	815	(2,046)	(3)	263	2,070
Other	24,720	-	(323)	136	9,771	(11,047)	(3,780)	-	19,477
<b>Total</b>	<b>209,206</b>	<b>(2,818)</b>	<b>(5,099)</b>	<b>19,591</b>	<b>199,458</b>	<b>(90,596)</b>	<b>(88,902)</b>	<b>(699)</b>	<b>240,141</b>
<b>Non Current</b>									
Clinical negligence	203,189	(3,336)	(750)	(15,032)	63,212	(4,637)	(9,989)	(182)	232,475
Personal injury	17,464	-	-	(1,716)	2,121	-	-	52	17,921
All other losses and special payments	616	-	-	(616)	-	-	-	-	-
Defence legal fees and other administration	5,570	-	-	(1,175)	1,366	(356)	(662)	-	4,743
Pensions relating to former directors	28	-	-	(3)	1	-	-	-	26
Pensions relating to other staff	15,245	-	-	(913)	250	-	(316)	21	14,287
Other	5,972	-	-	(136)	3,829	(2,707)	(302)	-	6,656
<b>Total</b>	<b>248,084</b>	<b>(3,336)</b>	<b>(750)</b>	<b>(19,591)</b>	<b>70,779</b>	<b>(7,700)</b>	<b>(11,269)</b>	<b>(109)</b>	<b>276,108</b>
<b>TOTAL</b>									
Clinical negligence	367,857	(6,154)	(5,165)	-	227,025	(67,999)	(84,612)	(1,416)	429,536
Personal injury	25,609	-	(361)	-	15,065	(6,750)	(3,323)	324	30,564
All other losses and special payments	1,224	-	-	-	4,329	(4,228)	(144)	-	1,181
Defence legal fees and other administration	14,499	-	-	-	9,146	(3,510)	(7,691)	-	12,444
Pensions relating to former directors	36	-	-	-	7	(9)	-	-	34
Pensions relating to other staff	17,373	-	-	-	1,065	(2,046)	(319)	284	16,357
Other	30,692	-	(323)	-	13,600	(13,754)	(4,082)	-	26,133
<b>Total</b>	<b>457,290</b>	<b>(6,154)</b>	<b>(5,849)</b>	<b>-</b>	<b>270,237</b>	<b>(98,296)</b>	<b>(100,171)</b>	<b>(808)</b>	<b>516,249</b>

### Expected timing of cash flows:

	In the remainder of spending period review to 31 March 2016	Between 1 April 2016- 31 March 2021	Between 1 April 2021- 31 March 2026	Thereafter	Total
	£'000	£'000	£'000	£'000	£'000
Clinical negligence	197,061	230,868	1,607	-	429,536
Personal injury	12,643	6,781	4,520	6,620	30,564
All other losses and special payments	1,181	-	-	-	1,181
Defence legal fees and other administration	7,701	4,743	-	-	12,444
Pensions relating to former directors	8	18	8	-	34
Pensions relating to other staff	2,070	7,813	5,174	1,300	16,357
Other	19,477	6,656	-	-	26,133
<b>Total</b>	<b>240,141</b>	<b>256,879</b>	<b>11,309</b>	<b>7,920</b>	<b>516,249</b>

16. Provisions (continued)

	At 1 April 2013	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 2014
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Current</b>								
Clinical negligence	171,311	-	16,688	118,025	(56,562)	(83,681)	(1,113)	164,668
Personal injury	12,354	(23)	(227)	8,325	(7,656)	(4,957)	329	8,145
All other losses and special payments	-	(17)	-	4,984	(4,357)	(2)	-	608
Defence legal fees and other administration	7,922	-	851	7,546	(3,067)	(4,323)	-	8,929
Pensions relating to former directors	8	-	3	5	(9)	-	1	8
Pensions relating to other staff	2,076	-	582	1,313	(2,047)	(151)	355	2,128
Other	34,951	(361)	(428)	7,147	(9,200)	(7,389)	-	24,720
<b>Total</b>	<b>228,622</b>	<b>(401)</b>	<b>17,469</b>	<b>147,345</b>	<b>(82,898)</b>	<b>(100,503)</b>	<b>(428)</b>	<b>209,206</b>
<b>Non Current</b>								
Clinical negligence	148,743	-	(16,688)	86,318	(5,038)	(10,123)	(23)	203,189
Personal injury	15,737	-	227	1,882	(307)	(135)	60	17,464
All other losses and special payments	346	-	-	270	-	-	-	616
Defence legal fees and other administration	4,502	-	(851)	3,133	(418)	(796)	-	5,570
Pensions relating to former directors	29	-	(3)	2	-	-	-	28
Pensions relating to other staff	15,498	-	(582)	334	-	(32)	27	15,245
Other	5,053	-	428	1,605	(456)	(658)	-	5,972
<b>Total</b>	<b>189,908</b>	<b>-</b>	<b>(17,469)</b>	<b>93,544</b>	<b>(6,219)</b>	<b>(11,744)</b>	<b>64</b>	<b>248,084</b>
<b>TOTAL</b>								
Clinical negligence	320,054	-	-	204,343	(61,600)	(93,804)	(1,136)	367,857
Personal injury	28,091	(23)	-	10,207	(7,963)	(5,092)	389	25,609
All other losses and special payments	346	(17)	-	5,254	(4,357)	(2)	-	1,224
Defence legal fees and other administration	12,424	-	-	10,679	(3,485)	(5,119)	-	14,499
Pensions relating to former directors	37	-	-	7	(9)	-	1	36
Pensions relating to other staff	17,574	-	-	1,647	(2,047)	(183)	382	17,373
Other	40,004	(361)	-	8,752	(9,656)	(8,047)	-	30,692
<b>Total</b>	<b>418,530</b>	<b>(401)</b>	<b>-</b>	<b>240,889</b>	<b>(89,117)</b>	<b>(112,247)</b>	<b>(364)</b>	<b>457,290</b>

**17. Cash and cash equivalents**

	<b>2014-15</b>	2013-14
	<b>£'000</b>	£'000
Balance at 1 April	<b>5,079</b>	6,798
Net change in cash and cash equivalent balances	<b>6,383</b>	(1,719)
Balance at 31 March	<b>11,462</b>	5,079
		Re-presented
Made up of:		
Cash held at Office of HM Paymaster General / GBS	<b>11,437</b>	4,861
Commercial banks	<b>(291)</b>	(29)
Cash in hand	<b>316</b>	247
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<b>11,462</b>	5,079
<b>Cash and cash equivalents as in Statement of Cash Flows</b>	<b>11,462</b>	5,079

**18. Other Financial Assets**

	<b>Current</b>		<b>Non-current</b>	
	<b>31 March</b>	31 March	<b>31 March</b>	31 March
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
<b>Financial assets</b>				
Loans at amortised cost	<b>29</b>	28	<b>785</b>	814
At fair value through SoCNE	<b>319</b>	-	-	-
<b>Total</b>	<b>348</b>	28	<b>785</b>	814

**19. Other financial liabilities**

No other financial liabilities were reported by LHB's.

## **20. 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.

---

## **21. Third Party Assets**

LHB's held £ 2,496,589 cash at bank and in hand at 31 March 2015 (31 March 2014: £2,441,535) which relates to monies held by the LHB on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

## 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

	<b>Amounts paid out during period to 31 March 2015</b>		<b>Approved to write-off to 31 March 2015</b>	
	<b>Number</b>	<b>£</b>	<b>Number</b>	<b>£</b>
Clinical negligence	702	67,931,182	433	52,687,280
Personal injury	425	6,301,348	257	5,256,592
All other losses and special payments	1,214	4,849,518	1,230	5,087,338
<b>Total</b>	<b>2,341</b>	<b>79,082,048</b>	<b>1,920</b>	<b>63,031,210</b>

Analysis of cases which exceed £300,000 and all other cases

	<b>Cases over £300,000, paid out during the year</b>		<b>Cumulative interim payments over £300,000</b>	
	<b>Number</b>	<b>£</b>	<b>Number</b>	<b>£</b>
Clinical negligence	47	39,560,900	114	102,351,430
Personal injury	1	1,067,000	4	2,406,047
<b>Total</b>	<b>48</b>	<b>40,627,900</b>	<b>118</b>	<b>104,757,477</b>

## 23. Contingencies

### 23.1 Contingent liabilities

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

	<b>2014-15</b>	2013-14
	<b>£'000</b>	£'000
Legal claims for alleged medical or employer negligence	<b>707,469</b>	666,318
Defence costs	<b>16,624</b>	11,539
Continuing Care health costs	<b>39,128</b>	60,650
Other	<b>694</b>	1,770
Total value of disputed claims	<b>763,915</b>	740,277
Less amounts recovered in the event of claims being successful	<b>687,162</b>	646,326
Net contingent liability	<b>76,753</b>	93,951

Liabilities for Continuing healthcare costs continue to be a significant financial issue for the LHBs. The 31st July 2014 deadline for the submission of any claims for continuing healthcare costs dating back to 1st April 2003 has resulted in a large increase in the number of claims registered this financial year. LHBs are responsible for post 1st April 2003 costs and the financial statements of the LHBs include amounts relating to those uncertain continuing healthcare costs.

### 23.2 Contingent assets

The LHBs have no contingent asset disclosures.

## 24. Capital commitments

<b>Contracted capital commitments at 31 March for</b>	<b>2014-15</b>	2013-14
	<b>£'000</b>	£'000
Property, plant and equipment	<b>116,835</b>	317,663
Intangible assets	<b>48</b>	-
	<b>116,883</b>	317,663



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

<b>Buildings</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Minimum lease payments</b>		
Within one year	436	472
Between one and five years	1,341	1,567
After five years	210	420
Less finance charges allocated to future periods	(63)	(104)
<b>Minimum lease payments</b>	<b>1,924</b>	<b>2,355</b>
Included in:		
Current borrowings	413	432
Non-current borrowings	1,511	1,923
	<b>1,924</b>	<b>2,355</b>

**Present value of minimum lease payments**

Within one year	393	413
Between one and five years	1,166	1,303
After five years	343	332
<b>Present value of minimum lease payments</b>	<b>1,902</b>	<b>2,048</b>

## Included in:

Current borrowings	-	17
Non-current borrowings	-	-
	-	17

**Other**

	<b>31 March 2015</b>	<b>31 March 2014</b>
	<b>£'000</b>	<b>£'000</b>
<b>Minimum lease payments</b>		
<b>Within one year</b>	<b>378</b>	<b>492</b>
Between one and five years	1,513	1,513
After five years	307	686
Less finance charges allocated to future periods	(212)	(295)
<b>Minimum lease payments</b>	<b>1,986</b>	<b>2,396</b>
Included in:		
Current borrowings	310	410
	<b>1,676</b>	<b>1,986</b>
	<b>1,986</b>	<b>2,396</b>

**Present value of minimum lease payments**

Within one year	307	400
Between one and five years	1,331	1,278
After five years	287	631

## Present value of minimum lease payments

<b>1,925</b>	<b>2,309</b>
--------------	--------------

## Included in:

Current borrowings	221	208
Non-current borrowings	1,218	1,439
	<b>1,439</b>	<b>1,647</b>

**26. Private Finance Initiative contracts**

<b>26.1 Commitments under off-SoFP PFI contracts</b>	<b>Off-SoFP PFI contracts</b>	<b>Off-SoFP PFI contracts</b>
	<b>31 March 2015</b>	<b>31 March 2014</b>
	<b>£'000</b>	<b>£'000</b>
Total payments due within one year	779	1,241
Total payments due between 1 and 5 years	2,955	2,882
Total payments due thereafter	<u>4,962</u>	<u>5,562</u>
Total future payments in relation to PFI contracts	<b>8,696</b>	9,685
Total estimated capital value of off-SoFP PFI contracts	<b>7,300</b>	7,300

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

	<b>On SoFP PFI Capital element</b>	<b>On SoFP PFI Imputed interest</b>	<b>On SoFP PFI Service charges</b>
	<b>31 March 2015</b>	<b>31 March 2015</b>	<b>31 March 2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Total payments due within one year	3,558	7,227	8,188
Total payments due between 1 and 5 years	14,209	27,682	37,512
Total payments due thereafter	<u>56,858</u>	<u>71,530</u>	<u>91,567</u>
Total future payments in relation to PFI contracts	<b>74,625</b>	<b>106,439</b>	<b>137,267</b>

	<b>On SoFP PFI Capital element</b>	<b>On SoFP PFI Imputed interest</b>	<b>On SoFP PFI Service charges</b>
	<b>31 March 2014</b>	<b>31 March 2014</b>	<b>31 March 2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	<b>Restated</b>	<b>Restated</b>	<b>Restated</b>
Total payments due within one year	3,325	7,215	8,825
Total payments due between 1 and 5 years	13,464	28,000	39,421
Total payments due thereafter	<u>60,484</u>	<u>78,290</u>	<u>108,905</u>
Total future payments in relation to PFI contracts	<u>77,273</u>	<u>113,505</u>	<u>157,151</u>
Total present value of obligations for on-SoFP PFI contracts	124,090		

The prior year figures disclosed above have been re-stated in Abertawe Bro Morgannwg University Health Boards Annual Accounts

**26. Private Finance Initiative contracts**

<b>26.3 Charges to expenditure</b>	<b>2014-15</b>	2013-14
	<b>£000</b>	£000
Service charges for On Balance sheet PFI contracts (excl interest costs)	<b>7,301</b>	7,354
Total expense for Off Balance sheet PFI contracts	<b>1,307</b>	1,587
The total charged in the year to expenditure in respect of PFI contracts	<b><u>8,608</u></b>	<u>8,941</u>

The LHB is committed to the following annual charges

	<b>31 March 2015</b>	31 March 2014
<b>PFI scheme expiry date:</b>	<b>£000</b>	£000
Not later than one year	<b>2,008</b>	3,060
Later than one year, not later than five years	<b>7,640</b>	9,932
Later than five years	<b>33,957</b>	42,281
<b>Total</b>	<b><u>43,605</u></b>	<u>55,273</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.

**26.4 Number of PFI contracts**

	<b>Number of on SoFP PFI contracts</b>	<b>Number of off SoFP PFI contracts</b>
Number of PFI contracts	8	2
Number of PFI contracts which individually have a total commitment > £500m	1	-

## **27. 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.

**28. Financial Instruments**

<b>Financial assets</b>			<b>31 March 2015</b>	31 March 2014
	<b>Loans Receivables &amp; Deposits held to maturity at amortised cost £000</b>	<b>At fair value through SoCNE £000</b>	<b>Total £000</b>	Total £000 Restated
<b>Cash and Cash Equivalents</b>				
Cash balances (GBS, commercial banks and in hand)	11,462		11,462	5,079
<b>Receivables</b>				
Trade and other receivables (net of impairment allowance)	551,571		551,571	472,659
Accrued Income (must exclude prepayments)	5,906		5,906	6,811
<b>Other Financial Assets</b>				
Loans	814		814	842
Other	-	319	319	-
<b>Total</b>	<b>569,753</b>	<b>319</b>	<b>570,072</b>	<b>485,391</b>

<b>Financial liabilities</b>			<b>31 March 2015</b>	31 March 2014
	<b>Carried at amortised cost £000</b>	<b>At fair value through SoCNE £000</b>	<b>Total £000</b>	Total £000 Restated
<b>Trade and Other Payables</b>				
Trade and other payables	(309,543)		(309,543)	(246,721)
Accruals	(296,526)		(296,526)	(258,049)
PFI and lease obligations	(78,536)		(78,536)	(82,026)
<b>Total</b>	<b>(684,605)</b>	<b>-</b>	<b>(684,605)</b>	<b>(586,796)</b>

The financial instruments note has been restated in line with the Whole of Government Accounts disclosure requirements, with a corresponding restatement of the prior year.

## 29. Movements in working capital

	2014-15 £'000	2013-14 £'000 Restated
Decrease / (increase) in inventories	457	(1,847)
(Increase) in trade and other receivables - non-current	(27,884)	(59,983)
(Increase) / decrease in trade and other receivables -current	(46,491)	11,413
(Decrease) in trade and other payables- non-current	(3,909)	(2,167)
Increase / (decrease) in trade and other payables- current	65,727	(27,149)
<b>Total</b>	<b>(12,100)</b>	<b>(79,733)</b>
Adjustment for accrual movements in fixed assets -creditors	(22,045)	9,684
Adjustment for accrual movements in fixed assets -debtors	(416)	528
Other adjustments	292	292
<b>Total</b>	<b>(34,269)</b>	<b>(69,229)</b>

The prior year figures for 2013-14 have been restated to reflect the change in the Statement of Financial Position re-categorisation of asset and liabilities headings and their impact on the revised format.

## 30. Other cash flow adjustments

	2014-15 £'000	2013-14 £'000
Depreciation	131,913	125,862
Amortisation	1,768	1,605
(Gains)/Loss on Disposal	(676)	(605)
Impairments and reversals	3,922	47,203
Release of PFI deferred credits	(292)	(292)
Donated assets received credited to revenue but non-cash	(10,619)	(3,901)
Government Grant assets received credited to revenue but non-cash	(1,434)	(107)
Non-cash movements in provisions	157,458	127,844
<b>Total</b>	<b>282,040</b>	<b>297,609</b>

**31. Post Balance Sheet events**

From 1 April 2015, Powys Local Health Board commenced hosting functions of the National Institute of Social and Health Care Research (NISCHR).

**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, Health, Chief Executive NHS Wales, Health and Social Services Group 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.

For the 2014-15 financial year to the 31 March 2015, the Permanent Secretary held the Accounting Officer responsibilities for the Department from the 1 April 2014 to 8 June 2014. Dr Andrew Goodall was appointed Director General on the 9 June 2014 and assumed the Additional Accounting Officer role for the Department from this date.

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.

# Audit report of the Auditor General to the National Assembly

## NHS Trust Summarised Accounts

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

I certify that I have audited the financial statements of the Summarised Accounts of the NHS Trusts in Wales for the year ended 31 March 2015 under Section 61 of the Public Audit Wales (Wales) Act 2004. These comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows and Statement of Changes in Tax Payers Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards.

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

As explained more fully in the Statement of Additional Accounting Officer's Responsibilities set out at page 2(2), the Chief Executive of NHS Wales as Additional Accounting Officer is responsible on behalf of the Welsh Ministers for preparing the financial statements which give a true and fair view.

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

#### **Scope of the audit of financial statements**

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

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

In addition, I read all the financial and non-financial information in the Foreword 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 the financial statements**

In my opinion the financial statements:

- give a true and fair view of the state of affairs of the NHS Trusts in Wales as at 31 March 2015 and of their deficit, their recognised gains and losses and cash flows for the year then ended; and
- have been properly prepared in accordance with the National Health Service (Wales) Act 2006 and directions made there under by Welsh Ministers.

### **Opinion on regularity**

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

### **Opinion on other matters**

In my opinion the information contained in the Foreword is consistent with the financial statements.

### **Matters on which I report by exception**

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

- the Annual Governance Statement does not reflect compliance with HM Treasury guidance;
- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting returns; or
- I have not received all the information and explanations I require for my audit.

### **Report**

Please see my Report on page 5(2).

Huw Vaughan Thomas  
Auditor General for Wales  
14 July 2015

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

## Report of the Auditor General to the National Assembly for Wales

The Welsh Government has changed the financial duties of NHS Trusts for 2014-15 onwards.

The first financial duty gives additional financial flexibility to NHS Trusts by allowing them to balance their income with their expenditure over a three-year rolling period, replacing the duty to balance their books over a one year period. The first three year period under this duty is 2014-15 to 2016-17, so NHS Trusts' performance against this duty will not be measured until 2016-17.

The second financial duty requires NHS Trusts to prepare and have approved by Welsh Ministers a rolling three year integrated medium term plan. This duty is an essential foundation to the delivery of sustainable quality health services. For 2014-15 (and until Treasury consent has been obtained for this change) it will be an administrative duty (an administrative duty is required by the Welsh Government, but not by primary legislation). An NHS Trust will be deemed to have met this duty for 2014-15 if it submitted a 2014-15 to 2016-17 plan approved by its Board to the Welsh Ministers, who have then approved it by the date that the Accountable Officer signs the 2014-15 Financial Statements.

I placed unqualified audit opinions on the 2014-15 financial statements of each of the three NHS Trusts. For each of the financial statements I placed a narrative report alongside my audit certificate setting out the Trust's performance against the two financial duties. I have summarised those reports below.

### **Public Health Wales NHS Trust**

As set out above, the Trust will not be measured against its first financial duty until 2016-17. Nevertheless it is expected to manage its finances to ensure it does not over spend. For 2014-15 the Trust achieved a surplus of £35,000.

The Trust did not meet its second (administrative) financial duty to have an approved three year integrated medium term plan in place. The Trust submitted its first integrated medium term plan to the Welsh Government in March 2014. The Welsh Government was satisfied that the plan was financially balanced but had concerns that it was not sufficiently integrated with the plans of other the Trusts and Local Health Boards. The Welsh Government did not request a resubmission but accepted instead a one year plan for 2014-15.

In April 2015 the Trust submitted its three year plan for 2015-16 to 2017-18 to the Welsh Government in April 2015, which the Minister for Health and Social Services approved in June 2015.

### **Velindre NHS Trust**

The Trust achieved a surplus of £39,000 for 2014-15.

The Trust met its second (administrative) financial duty to have an approved three year integrated medium term plan in place. The Trust's integrated medium term plan for 2014-15 to 2016-17 was submitted to the Welsh Government on 31 March 2014 and was approved by the Minister for Health and Social Services on 7 May 2014.

The Trust submitted its three year plan 2015-16 to 2017-18 to the Welsh Government on 1 April 2015. On 4 June 2015 the Trust received confirmation of the plan's approval by the Minister for Health and Social Services.

### **Welsh Ambulance Service NHS Trust**

The Trust achieved a surplus of £0.1m for 2014-15.

The Trust did not meet its second (administrative) financial duty to have an approved three year integrated medium term plan in place. The Trust submitted an Integrated Medium Term Plan (IMTP) for the period 2014-15 –2016-17, which was approved by the Trust Board on 20 March 2014 and then submitted to the Welsh Government. Whilst the Welsh Government noted that progress in the development of the plan is evident, the current changes within the commissioning framework mean that an approved IMTP is unrealistic at the current time. Ministerial approval was therefore withheld.

The three-year plan for the period 2015-16 to 2017-18 was approved by the Trust Board on 26 March 2015 and submitted to the Welsh Government on 1 April 2015. As commissioning arrangements continue to bed down, the Minister for Health and Social Services again withheld approval. A revised version of the plan was submitted to the Trust's Board on 4 June 2015.

### **Looking forward**

For the current financial year staff of the Wales Audit Office are continuing to monitor the financial position of the Trusts and how well the new arrangements are being embedded and working in practice. I will be setting out the findings in my Structured Assessment reporting on each Trust, and in my reporting to the Welsh Government.

Huw Vaughan Thomas  
Auditor General for Wales  
14 July 2015

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ



**STATEMENT OF COMPREHENSIVE NET INCOME AND EXPENDITURE  
FOR THE YEAR ENDED 31 MARCH 2015**


		2014-15	2013-14
	Note	£000	£000
Revenue from patient care activities	2	474,540	444,047
Other operating revenue	3	267,916	227,764
Operating expenses	4	(742,405)	(671,861)
<b>Operating surplus</b>		<b>51</b>	<b>(50)</b>
Investment revenue	5	102	129
Other gains and losses	6	411	526
Finance costs	7	235	(645)
<b>Retained surplus/(deficit)</b>		<b>799</b>	<b>(40)</b>
 <b>Other Comprehensive Income</b>			
Net gain/(loss) on revaluation of property, plant and equipment		2,988	1,067
<b>Total other comprehensive income for the year</b>		<b>2,988</b>	<b>1,067</b>
<b>Items that may be reclassified subsequently to net operating costs</b>		<b>3,787</b>	<b>1,027</b>

The notes on pages 12 to 56 form part of these accounts.

## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015

	Note	31 March 2015 £000	31 March 2014 £000
<b>Non-current assets</b>			
Property, plant and equipment	12	175,428	166,238
Intangible assets	13	28,506	26,274
Trade and other receivables	20	460,412	417,597
<b>Total non-current assets</b>		<b>664,346</b>	610,109
<b>Current assets</b>			
Inventories	18	7,006	3,296
Trade and other receivables	19	272,464	219,297
Cash and cash equivalents	20	34,262	20,714
		313,732	243,307
Non-current assets held for sale	12	284	165
<b>Total current assets</b>		<b>314,016</b>	243,472
<b>Total assets</b>		<b>978,362</b>	853,581
<b>Current liabilities</b>			
Trade and other payables	21	(99,727)	(70,302)
Borrowings	22	(1,430)	(1,346)
Provisions	24	(209,198)	(171,004)
<b>Total current liabilities</b>		<b>(310,355)</b>	(242,652)
<b>Net current assets/(liabilities)</b>		<b>3,661</b>	820
<b>Total assets less current liabilities</b>		<b>668,007</b>	610,929
<b>Non-current liabilities</b>			
Trade and other payables	21	(222,366)	(211,801)
Borrowings	22	(5,359)	(6,775)
Provisions	24	(245,641)	(217,663)
<b>Total non-current liabilities</b>		<b>(473,366)</b>	(436,239)
		194,641	174,690
<b>Financed by:</b>			
<b>Taxpayers' equity</b>			
Public dividend capital		158,027	141,863
Retained earnings		3,454	2,426
Revaluation reserve		33,160	30,401
<b>Total taxpayers' equity</b>		<b>194,641</b>	174,690

The notes on pages 12 to 56 form part of these accounts.



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

3 July 2015

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31 MARCH 2015**

	<b>Public Dividend Capital £000</b>	<b>Retained earnings £000</b>	<b>Revaluation reserve £000</b>	<b>Total £000</b>
<b>Balance as at 1 April 2014</b>	141,863	2,426	30,401	<b>174,690</b>
<b>Changes in taxpayers' equity for 2014-15</b>				
Retained surplus/(deficit) for the year		799	-	<b>799</b>
Net gain on revaluation of property, plant and equipment		-	2,988	<b>2,988</b>
Movements in other reserves		52	(52)	-
Transfers between reserves		177	(177)	-
New Public Dividend Capital received	16,237			<b>16,237</b>
Other movements in PDC in year	(73)			<b>(73)</b>
<b>Balance at 31 March 2015</b>	<b>158,027</b>	<b>3,454</b>	<b>33,160</b>	<b>194,641</b>

The notes on pages 12 to 56 form part of these accounts.

**STATEMENT OF CHANGES IN TAXPAYERS' EQUITY AS AT 31 MARCH 2014**

	<b>Public Dividend Capital £000</b>	<b>Retained earnings £000</b>	<b>Revaluation reserve £000</b>	<b>Total £000</b>
<b>Balance at 1 April 2013</b>	131,602	1,910	29,890	<b>163,402</b>
<b>Changes in taxpayers' equity for 2013-14</b>				
Retained surplus/(deficit) for the year		(40)	-	<b>(40)</b>
Net gain on revaluation of property, plant and equipment		-	1,067	<b>1,067</b>
Transfers between reserves		556	(556)	-
New Public Dividend Capital received	11,436			<b>11,436</b>
Public Dividend Capital repaid in year	(1,186)			<b>(1,186)</b>
Other movements in PDC in year	11			<b>11</b>
<b>Balance at 31 March 2014</b>	<b>141,863</b>	<b>2,426</b>	<b>30,401</b>	<b>174,690</b>

The notes on pages 12 to 56 form part of these accounts.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2015

	Note	2014-15 £000	2013-14 £000
<b>Cash flows from operating activities</b>			
Operating surplus/(deficit)	SoI&E	51	(50)
Depreciation and amortisation		29,665	26,804
Impairments and reversals		(96)	371
Donated Assets received credited to revenue but non cash		(565)	(7)
Government Granted Assets received credited to revenue but non cash		(12)	-
Interest paid		(334)	(387)
(Increase)/decrease in inventories		(3,710)	1,077
(Increase)/decrease in trade and other receivables		(95,722)	(74,005)
Increase/(decrease) in trade and other payables		33,215	35,272
Increase/(decrease) in other current liabilities		-	(2,336)
Increase/(decrease) in provisions		66,851	41,661
<b>Net cash inflow/(outflow) from operating activities</b>		<b>29,343</b>	<b>28,400</b>
<b>Cash flows from investing activities</b>			
Interest received		102	130
(Payments) for property, plant and equipment		(19,992)	(31,740)
Proceeds from disposal of property, plant and equipment		546	787
(Payments) for intangible assets		(10,390)	(14,990)
(Payments) for financial assets.		-	(304)
<b>Net cash inflow/(outflow) from investing activities</b>		<b>(29,734)</b>	<b>(46,117)</b>
<b>Net cash inflow/(outflow) before financing</b>		<b>(391)</b>	<b>(17,717)</b>
<b>Cash flows from financing activities</b>			
		15,935	11,436
Public Dividend Capital repaid		-	(1,186)
Capital elements of finance leases and on SoFP PFI		(1,996)	(1,239)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>13,939</b>	<b>9,011</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>13,548</b>	<b>(8,706)</b>
<b>Cash [and] cash equivalents [and bank overdrafts] at the beginning of the financial year</b>	20	<b>20,714</b>	<b>29,420</b>
<b>Cash [and] cash equivalents [and bank overdrafts] at the end of the financial year</b>	20	<b>34,262</b>	<b>20,714</b>

The notes on pages 12 to 56 form part of these accounts.

## Notes to the Accounts

### 1. Accounting policies

The Welsh Minister for Health and Social Services has directed that the financial statements of NHS trusts in Wales shall meet the accounting requirements of the NHS Trusts' Manual for Accounts. Consequently, the underlying financial statements have been prepared in accordance with the 2014-15 NHS Trusts' Manual for Accounts. The accounting policies contained in that manual follow the European Union version of the International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts' Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NHS trusts are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

#### 1.1 Accounting convention

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

#### 1.2 Acquisitions and discontinued operations

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

#### 1.3 Revenue

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

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

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

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

## 1.4 Employee Benefits

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

### Retirement benefit costs

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

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

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

The NHS Trust 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.

## 1.5 Other expenses

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

## 1.6 Property, plant and equipment

Property, plant and equipment is capitalised if:

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

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

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

### **Valuation**

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

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

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

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

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

A formal revaluation exercise by the District Valuation Office was applied to the land and properties of NHS Wales Trusts as from 1 April 2012. The carrying value of existing assets at that date 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. However, to ensure that the outcome as reflected in the reserves figure on the Statement of Financial Position is consistent with the requirements of IAS 36 had this adaptation not been applied, the balance on any revaluation reserve (up to the level of the impairment) to which the impairment would have been charged under IAS 36 should be transferred to retained earnings.



### **Subsequent expenditure**

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

### **1.7 Intangible assets**

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

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

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

### **Measurement**

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

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

### **1.8 Depreciation, amortisation and impairments**

Freehold land properties under construction and assets held for sale are not depreciated. Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the trusts expect to obtain economic benefits or service potential from the asset. This is specific to the trust and may be shorter than the physical life of the asset itself.

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

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

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

### **1.9 Borrowing costs**

Borrowing costs are recognised as expenses as they are incurred.

### **1.10 Donated assets**

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

### **1.11 Government grants**

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

### **1.12 Non-current assets held for sale**

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

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

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

### **1.13 Leases**

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

#### **The trusts as lessee**

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

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

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

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

#### **The trusts as lessor**

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

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

#### **1.14 Private Finance Initiative (PFI) transactions**

The NHS trusts have no PFI arrangements.

#### **1.15 Inventories**

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

#### **1.16 Cash and cash equivalents**

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

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

#### **1.17 Provisions**

Provisions are recognised when the NHS trusts have a present legal or constructive obligation as a result of a past event, it is probable that the NHS trusts will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using 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 amount receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

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

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

### 1.18 Clinical Negligence Costs

The Welsh Risk Pool (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 2014-15. 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.

### 1.19 CRC Trading Scheme

The NHS trusts are not members of the CRC Trading Scheme.

### 1.20 Contingencies

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

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

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

### 1.21 Financial assets

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

Financial assets are initially recognised at fair value.

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

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

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

### **Held to maturity investments**

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

### **Available for sale financial assets**

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

### **Loans and receivables**

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

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

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

## **1.22 Financial liabilities**

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

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

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

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

### **1.23 Value Added Tax**

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

### **1.24 Foreign currencies**

The NHS trusts' functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March 2015. Resulting exchange gains and losses for either of these are recognised in the trusts' surplus/deficit in the period in which they arise.

### **1.25 Third party assets**

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

### **1.26 Public Dividend Capital**

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

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

### **1.27 Losses and Special Payments**

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

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

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

All claims for losses and special payments are provided for, where the probability of settlement of an individual claim is over 50%. Expected reimbursements from the Welsh Risk Pool are included in debtors. As the WRP accounts have been consolidated into the summarised account this debtor has been eliminated on summarisation. For those claims where the probability of settlement is below 50%, the liability is disclosed as a contingent liability.

### **1.28 Absorption Accounting**

Transfers of function are accounted for as either by merger or by absorption accounting dependent upon the treatment prescribed in the FReM. Absorption accounting requires that entities account for their transactions in the period in which they took place with no restatement of performance required. For transfers of functions involving NHS Wales Trusts in receipt of PDC the double entry for the fixed asset NBV value and the net movement in assets is PDC or General Reserve as appropriate.

### **1.29 Subsidiaries**

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

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

### **1.30 Accounting standards that have been issued but have 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 13 Fair Value Measurement - subject to consultation - due for adoption in 2015-16

IPSAS 32 Service Concession Arrangements - subject to consultation.

### **1.31 Accounting standards issued that have been adopted early**

No accounting standards issued have been adopted early.

### **1.32 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.



**Summarised Accounts of NHS Trusts in Wales 2014-15**

<b>2. Revenue from patient care activities</b>	<b>2014-15</b>	2013-14
	<b>£000</b>	£000
Welsh Government	<b>245,229</b>	227,032
Welsh Health Specialised Services & Emergency Ambulance Services Committee (WHSSC & EASC)	<b>158,210</b>	147,915
Local health boards	<b>67,502</b>	65,651
Other NHS trusts	<b>481</b>	534
Strategic health authorities and primary care trusts	<b>35</b>	109
Foundation Trusts	<b>292</b>	192
Non NHS:		
Private patient income	<b>1,684</b>	1,565
Injury Costs Recovery (ICR) Scheme	<b>471</b>	487
Other revenue from activities	<b>636</b>	562
<b>Total</b>	<b>474,540</b>	444,047

ICR income is subject to a provision for impairment of 18.9% to reflect expected rates of collection.

<b>3. Other operating revenue</b>	<b>2014-15</b>	2013-14
	<b>£000</b>	£000
Education, training and research	<b>5,756</b>	4,668
Charitable and other contributions to expenditure	<b>2,530</b>	2,261
Receipt of donations for capital acquisitions	<b>565</b>	7
Receipt of government grants for capital acquisitions	<b>12</b>	-
Income generation	<b>903</b>	887
Rental revenue from operating leases	<b>76</b>	79
Other revenue:		
Provision of laundry, pathology, payroll services	<b>14,294</b>	13,246
Accommodation and catering charges	<b>157</b>	
Staff payments for use of cars	<b>274</b>	283
Other	<b>243,349</b>	206,177
<b>Total</b>	<b>267,916</b>	227,764

Other revenue includes:

NHS Wales Shared Services Partnership (NWSSP)	171,995	135,994
NHS Wales Informatics Services (NWIS)	48,154	43,150
Non-ambulance transport for other NHS bodies	3,526	3,752
Ambulance Radio Replacement Programme (ARRP)	2,356	2,690
Hazardous Area Response Team (HART)	2,207	2,235
Staff Recharges	2,031	2,149
Personal injury benefit scheme (PIBS)	726	1,437
Air Ambulance paramedic funding	597	597
Other	11,757	14,173
<b>Total</b>	<b>243,349</b>	<b>206,177</b>

The All Wales Stores Service transferred to NWSSP during 2014/15 increasing both income and expenditure by £38 million.

Revenue is predominantly from the supply of services. The increase in revenue from the sale of goods and services in Velindre NHS Trust relates to the sale of stores to other NHS Wales bodies.

During the year the trusts had no income generation activities whose full cost exceeded £1m or were otherwise material.

**4. Operating expenses**

	2014-15	2013-14
<b>4.1 Operating expenses</b>	<b>£000</b>	<b>£000</b>
Welsh Government	226	81
Local Health Boards	15,839	15,951
Other NHS Trusts	67	393
Goods and services from other NHS bodies	494	630
Purchase of healthcare from non-NHS bodies	2,347	1,512
Welsh Local Authorities	4,575	4,572
Directors' costs	3,079	3,059
Staff costs	283,873	276,097
Supplies and services - clinical	44,687	43,711
Supplies and services - general	41,279	2,145
Consultancy Services	2,625	2,763
Establishment	25,577	26,858
Transport	15,925	15,712
Premises	26,753	19,649
Depreciation	22,348	21,034
Amortisation	7,317	5,770
Impairments and reversals of property, plant and equipment	(96)	371
Audit fees	482	468
Losses, special payments and irrecoverable debts	161,073	142,814
Other operating expenses	83,935	88,271
<b>Total</b>	<b>742,405</b>	<b>671,861</b>

£38m of the increase in the supplies and services general operating expense is a result of the transfer on 1 April 2014, of the NHS Stores from Abertawe Bro Morgannwg and Aneurin Bevan University Health Boards to NWSSP hosted by Velindre NHS Trust .

**charges to operating expenses**

	2014-15	2013-14
<b>Increase/(decrease) in provision for future payments:</b>	<b>£000</b>	<b>£000</b>
Clinical negligence	150,328	141,371
Personal injury	5,285	990
All other losses and special payments	204	21
Defence legal fees and other administrative costs	2,593	2,637
Gross increase/(decrease) in provision for future payments	158,410	145,019
Welsh Risk Pool creditor movement	2,538	(2,213)
Irrecoverable debts	(11)	8
Less: income received/ due from Welsh Risk Pool	136	-
<b>Total charge</b>	<b>161,073</b>	<b>142,814</b>

---

**Summarised Accounts of NHS Trusts in Wales 2014-15**

---

<b>5. Investment revenue</b>	<b>2014-15</b>	2013-14
	<b>£000</b>	£000
Interest revenue:		
Bank accounts	<b>102</b>	129
<b>Total</b>	<b>102</b>	129

<b>6. Other gains and losses</b>	<b>2014-15</b>	2013-14
	<b>£000</b>	£000
Gain/(loss) on disposal of property, plant and equipment	<b>411</b>	526
<b>Total</b>	<b>411</b>	526

<b>7. Finance costs</b>	<b>2014-15</b>	2013-14
	<b>£000</b>	£000
Interest on obligations under finance leases	<b>335</b>	387
<b>Total interest expense</b>	<b>335</b>	387
Provisions unwinding of discount	<b>(2,738)</b>	258
Periodical Payment Order unwinding of discount	<b>2,168</b>	-
<b>Total</b>	<b>(235)</b>	<b>645</b>

The finance costs of -£235k (2013-14: £645k) includes -£679k (2013-14: £122k) which relates to the Welsh Risk Pool unwinding of discount.

9. Employee costs and numbers

9.1 Employee costs	Permanently Employed	Agency Staff	Staff on Inward Secondment	2014-15	2013-14
				£000	£000
				Total	Total
	£000	£000	£000	£000	£000
Salaries and wages	231,870	3,809	5,273	240,952	233,609
Social security costs	17,515	-	13	17,528	17,521
Employer contributions to NHS Pensions Scheme	28,696	-	47	28,743	28,555
Other pension costs	178	-	-	178	15
<b>Total</b>	<b>278,259</b>	<b>3,809</b>	<b>5,333</b>	<b>287,401</b>	<b>279,700</b>
<b>Of the total above:</b>					
Charged to capital				622	687
Charged to revenue				286,779	279,013
				<b>287,401</b>	<b>279,700</b>

9.2 Average number of employees

9.2 Average number of employees	Permanently Employed	Agency Staff	Staff on Inward Secondment	2014-15	2013-14
				Total	Total
				Number	Number
Medical and dental	187	1	43	231	209
Ambulance staff	2,272	9	-	2,281	2,239
Administrative and estates	3,197	67	30	3,294	3,177
Healthcare assistants and other support staff	154	-	1	155	272
Nursing, midwifery and health visiting staff	474	5	4	483	468
Scientific, therapeutic and technical staff	740	4	5	749	722
Other	-	14	1	15	-
	<b>7,024</b>	<b>100</b>	<b>84</b>	<b>7,208</b>	<b>7,087</b>

9.3 Employee benefits

One of the three NHS Wales trusts operates a lease car policy and three salary sacrifice schemes (childcare vouchers, bikes and computer scheme) for employees.

## 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.

<b>Payments recognised as an expense</b>	<b>2014-15</b>	2013-14
	<b>£000</b>	£000
Minimum lease payments	<b>6,207</b>	6,061
<b>Total</b>	<b>6,207</b>	6,061

<b>Total future minimum lease payments</b>	<b>2014-15</b>	2013-14
	<b>£000</b>	£000
Payable:		
Not later than one year	<b>4,216</b>	4,807
Between one and five years	<b>11,468</b>	9,233
After 5 years	<b>6,047</b>	7,775
<b>Total</b>	<b>21,731</b>	21,815

### 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.

<b>Rental Revenue</b>	<b>2014-15</b>	2013-14
	<b>£000</b>	£000
	<b>76</b>	74
<b>Total rental revenue</b>	<b>76</b>	74

<b>Total future minimum lease payments</b>	<b>2014-15</b>	2013-14
	<b>£000</b>	£000
Receivable:		
Not later than one year	<b>72</b>	70
Between one and five years	<b>156</b>	278
After 5 years	<b>287</b>	151
<b>Total</b>	<b>515</b>	499

## 10. Pension and Retirement Costs Due to Ill Health

### 10.1 Pension Costs

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

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

#### a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary 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 are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2015 is based on valuation data as 31 March 2014, updated to 31 March 2015 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

#### 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 scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

The Scheme Regulations allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

#### c) Scheme provisions

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

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

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

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

### 10.1 Pension Costs (continued)

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

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

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

[Where the organisation has employees who are members of other schemes, disclosures will be required in respect of them too]

#### d) 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.

Currently, the legal minimum level of contributions is 2 per cent of a jobholder's qualifying earnings for employers whose legal duties have started. Of this, the employer needs to pay at least 1 per cent, though they can pay more if they want to.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £5,772 and £41,865 for the 2014/2015 tax year.

NEST has an annual contribution limit of £4,600 for the 2014/15 tax year (£4,500 for 2013-14). This means the most that can be contributed to a single pot in the current tax year is £4,600. This figure will be adjusted annually in line with average earnings.

The annual contribution limit includes member contributions, money from their employer and any tax relief. It also includes any money paid in by someone else on behalf of the member, such as a member's partner or spouse.

### 10.2 Retirement costs due to ill-health

During 2014-15 there were 14 (2013-14 9) early retirements from the trusts agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements will be £544k (2013-14 £261k). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

## 11. Public Sector Payment Policy - Measure of Compliance

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

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

**12. Property, plant and equipment :  
2014-15**

	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
<b>Cost or valuation</b>									
<b>At 1 April 2014</b>	<b>23,358</b>	<b>71,002</b>	<b>140</b>	<b>16,313</b>	<b>57,447</b>	<b>60,822</b>	<b>57,887</b>	<b>2,258</b>	<b>289,227</b>
Indexation	467	3,141	7	-	276	16	-	6	3,913
Revaluation	-	19	-	-	-	-	-	-	19
Additions - purchased	-	2,312	95	16,303	2,918	286	6,084	134	28,132
Additions - donated	-	315	-	-	250	-	-	-	565
Additions - government granted	-	-	-	-	-	-	12	-	12
Reclassifications	-	2,540	-	(11,988)	6,801	1,173	1,474	-	-
Reclassified as held for sale	(254)	-	-	-	-	(3,915)	(219)	-	(4,388)
Disposals other than by sale	-	-	-	-	(1,651)	(510)	(3,106)	(146)	(5,413)
Impairments	(20)	(274)	-	-	-	(3)	-	-	(297)
Reversal of impairments	-	188	-	-	-	-	-	-	188
<b>At 31 March 2015</b>	<b>23,551</b>	<b>79,243</b>	<b>242</b>	<b>20,628</b>	<b>66,041</b>	<b>57,869</b>	<b>62,132</b>	<b>2,252</b>	<b>311,958</b>
<b>Depreciation</b>									
<b>At 1 April 2014</b>	-	17,675	20	-	37,816	31,865	33,677	1,936	122,989
Indexation	-	873	1	-	115	4	-	3	996
Revaluation	-	(52)	-	-	-	-	-	-	(52)
Reclassified as held for sale	-	-	-	-	-	(3,915)	(219)	-	(4,134)
Disposals other than by sale	-	-	-	-	(1,651)	(510)	(3,105)	(146)	(5,412)
Reversal of impairments	-	(205)	-	-	-	-	-	-	(205)
Charged during the year	-	2,624	11	-	4,752	7,399	7,370	192	22,348
<b>At 31 March 2015</b>	-	<b>20,915</b>	<b>32</b>	-	<b>41,032</b>	<b>34,843</b>	<b>37,723</b>	<b>1,985</b>	<b>136,530</b>
<b>Net book value at 1 April 2014</b>	<b>23,358</b>	<b>53,327</b>	<b>120</b>	<b>16,313</b>	<b>19,631</b>	<b>28,957</b>	<b>24,210</b>	<b>322</b>	<b>166,238</b>
<b>Net book value At 31 March 2015</b>	<b>23,551</b>	<b>58,328</b>	<b>210</b>	<b>20,628</b>	<b>25,009</b>	<b>23,026</b>	<b>24,409</b>	<b>267</b>	<b>175,428</b>
<b>Net book value at 31 March 2015 comprises :</b>									
<b>Purchased</b>	23,551	52,458	210	20,628	24,718	23,026	24,398	267	169,256
<b>Donated</b>	-	5,870	-	-	291	-	-	-	6,161
<b>Government Granted</b>	-	-	-	-	-	-	11	-	11
<b>At 31 March 2015</b>	<b>23,551</b>	<b>58,328</b>	<b>210</b>	<b>20,628</b>	<b>25,009</b>	<b>23,026</b>	<b>24,409</b>	<b>267</b>	<b>175,428</b>
<b>Asset Financing:</b>									
<b>Owned</b>	23,551	58,328	210	20,628	24,947	23,026	17,845	261	168,796
<b>Held on finance lease</b>	-	-	-	-	62	-	6,564	6	6,632
<b>At 31 March 2015</b>	<b>23,551</b>	<b>58,328</b>	<b>210</b>	<b>20,628</b>	<b>25,009</b>	<b>23,026</b>	<b>24,409</b>	<b>267</b>	<b>175,428</b>

The net book value of land, buildings and dwellings at 31 March 2015 comprises :

	£000
<b>Freehold</b>	78,599
<b>Long Leasehold</b>	290
<b>Short Leasehold</b>	3,200
	<b>82,089</b>

The Trusts Land and Buildings were revalued by the District Valuation Service with an effective date of 1st April 2012. The valuation was prepared in accordance with the terms of the Royal Institution of Chartered Surveyors' Valuation Standards, 6th edition.

The valuations were carried out primarily on the basis of depreciated replacement cost for specialised operational property and existing use value for non-specialised operational property. The value of land for existing use purposes was assessed at existing use value. For non-operational properties, including surplus land, the valuations were carried out at fair value. Fair value was defined by IAS16 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. This was undertaken on the assumption that the property was sold as part of the continuing enterprise in occupation.



**12. Property, plant and equipment (continued):**  
**2013-14**

	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
<b>Cost or valuation</b>									
<b>At 1 April 2013</b>	<b>17,656</b>	<b>68,940</b>	<b>137</b>	<b>14,500</b>	<b>58,715</b>	<b>52,697</b>	<b>57,802</b>	<b>2,381</b>	<b>272,828</b>
Indexation	-	1,377	3	-	-	-	-	-	1,380
Additions - purchased	-	757	-	19,430	1,217	12	2,386	2	23,804
Additions - donated	-	-	-	-	7	-	-	-	7
Transfers from/(into) other NHS bodies	5,497	283	-	-	-	-	-	-	5,780
Reclassifications	-	327	-	(17,617)	1,866	15,391	29	4	-
Reclassified as held for sale	220	(526)	-	-	(1,308)	(7,122)	-	-	(8,736)
Disposals other than by sale	-	-	-	-	(3,050)	(156)	(2,145)	(129)	(5,480)
Impairments	(15)	(156)	-	-	-	-	(185)	-	(356)
<b>At 31 March 2014</b>	<b>23,358</b>	<b>71,002</b>	<b>140</b>	<b>16,313</b>	<b>57,447</b>	<b>60,822</b>	<b>57,887</b>	<b>2,258</b>	<b>289,227</b>
<b>Depreciation</b>									
<b>At 1 April 2013</b>	-	15,667	10	-	37,795	32,246	28,505	1,794	116,017
Indexation	-	313	-	-	-	-	-	-	313
Transfers from/(into) other NHS bodies	-	30	-	-	-	-	-	-	30
Reclassified as held for sale	-	(526)	-	-	(1,298)	(7,101)	-	-	(8,925)
Disposals other than by sale	-	-	-	-	(3,050)	(156)	(2,145)	(129)	(5,480)
Charged during the year	-	2,191	10	-	4,369	6,876	7,317	271	21,034
<b>At 31 March 2014</b>	-	17,675	20	-	37,816	31,865	33,677	1,936	122,989
<b>Net book value</b>									
<b>at 1 April 2013</b>	17,656	53,273	127	14,500	20,920	20,451	29,297	587	156,811
<b>Net book value</b>	23,358	53,327	120	16,313	19,631	28,957	24,210	322	166,238
<b>Net book value at 31 March 2014 comprises :</b>									
<b>Purchased</b>	23,358	53,213	120	16,313	19,533	28,957	24,210	322	166,026
<b>Donated</b>	-	114	-	-	98	-	-	-	212
<b>At 31 March 2014</b>	23,358	53,327	120	16,313	19,631	28,957	24,210	322	166,238
<b>Asset Financing:</b>									
<b>Owned</b>	23,358	53,327	120	16,313	19,631	28,957	15,823	316	157,845
<b>Held on finance lease</b>	-	-	-	-	-	-	8,387	6	8,393
<b>At 31 March 2014</b>	23,358	53,327	120	16,313	19,631	28,957	24,210	322	166,238
<b>The net book value of land, buildings and dwellings at 31 March 2014 comprises :</b>									
									£000
<b>Freehold</b>									74,649
<b>Long Leasehold</b>									292
<b>Short Leasehold</b>									1,864
									<u>76,805</u>

12.2 Non-current assets held for sale

	Land	Other property plant and equipment	Total
	£000	£000	£000
<b>Balance b/f 1 April 2014</b>	165	-	<b>165</b>
Plus assets classified as held for sale in year	254	-	<b>254</b>
Less assets sold in year	(135)	-	<b>(135)</b>
<b>Balance c/f 31 March 2015</b>	<b>284</b>	-	<b>284</b>
Balance b/f 1 April 2013	630	-	<b>630</b>
Plus assets classified as held for sale in year	95	31	<b>126</b>
Less assets sold in year	(230)	(31)	<b>(261)</b>
Less impairment for assets held for sale	(15)	-	<b>(15)</b>
Less assets no longer classified as held for sale for reasons other than disposal by sale	(315)	-	<b>(315)</b>
Balance c/f 31 March 2014	<b>165</b>	-	<b>165</b>

Of the five properties included within this category during the previous financial year four, namely Holywell, Dolgellau, Maesteg and Reynoldston were disposed of during 2014/15.

During the year one further Ambulance Station was identified as being held for sale within one calendar year. There are two stations remaining as due for sale as at 31 March 2015.

13. Intangible assets (continued)

2013-14

	Computer software purchased	Computer software internally developed	Total
Cost or valuation	£000	£000	£000
<b>At 1 April 2013</b>	30,536	5,701	<b>36,237</b>
Additions			
- purchased	14,670	591	<b>15,261</b>
Disposals other than by sale	(123)	-	<b>(123)</b>
<b>Gross cost at 31 March 2014</b>	<b>45,083</b>	<b>6,292</b>	<b>51,375</b>
<b>Amortisation</b>			
<b>Accumulated amortisation at 1 April 2013</b>	16,679	2,672	<b>19,351</b>
Disposals other than by sale	(20)	-	<b>(20)</b>
Charged during the year	4,721	1,049	<b>5,770</b>
<b>Accumulated amortisation at 31 March 2014</b>	<b>21,380</b>	<b>3,721</b>	<b>25,101</b>
Net book value at 1 April 2013	<b>13,857</b>	<b>3,029</b>	<b>16,886</b>
<b>Net book value at 31 March 2014</b>	<b>23,703</b>	<b>2,571</b>	<b>26,274</b>
<b>Net book value</b>			
	23,703	-	<b>23,703</b>
Internally Generated	-	2,571	<b>2,571</b>
<b>Total at 31 March 2014</b>	<b>23,703</b>	<b>2,571</b>	<b>26,274</b>

**13. Intangible assets**

**2014-15**

	Computer software purchased	Computer software internally developed	Licenses and trade-marks	Total
Cost or valuation	£000	£000	£000	£000
<b>At 1 April 2014</b>	45,083	6,292	-	51,375
Additions				
- purchased	7,625	-	1,924	9,549
<b>Gross cost at 31 March 2015</b>	<b>52,708</b>	<b>6,292</b>	<b>1,924</b>	<b>60,924</b>
<b>Amortisation</b>				
<b>Accumulated amortisation at 1 April 2014</b>	21,380	3,721	-	25,101
Charged during the year	6,391	926	-	7,317
<b>Accumulated amortisation at 31 March 2015</b>	<b>27,771</b>	<b>4,647</b>	<b>-</b>	<b>32,418</b>
Net book value at 1 April 2014	<b>23,703</b>	<b>2,571</b>	<b>-</b>	<b>26,274</b>
<b>Net book value at 31 March 2015</b>	<b>24,937</b>	<b>1,645</b>	<b>1,924</b>	<b>28,506</b>
<b>Net book value</b>				
	24,937	-	1,924	26,861
Internally Generated	-	1,645	-	1,645
<b>Total at 31 March 2015</b>	<b>24,937</b>	<b>1,645</b>	<b>1,924</b>	<b>28,506</b>

**14. Revaluation reserve balance for intangible assets**

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

**15. Impairments**

Impairments in the period arose from:	2014-15 Property, plant & equipment £000	2013-14 Property, plant & equipment £000
Abandonment of assets in the course of construction	21	-
Changes in market price	(31)	-
Other (specify)	(86)	371
<b>Total</b>	<b>(96)</b>	<b>371</b>
Operating expenses in Statement of Comprehensive Income	(96)	371
<b>Total</b>	<b>(96)</b>	<b>371</b>

**16. Capital commitments**

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

	31 March 2015 £000	31 March 2014 £000
Property, plant and equipment	11,709	1,592
	1,154	3,546
<b>Total</b>	<b>12,863</b>	<b>5,138</b>

**17. Other financial assets**

The NHS trusts have no Other Financial Assets.

18. Inventories

18.1 Inventories

	31 March 2015 £000	31 March 2014 £000
Drugs	945	797
Consumables	5,036	1,588
Other	1,025	911
<b>Total</b>	<b>7,006</b>	<b>3,296</b>

18.2 Inventories recognised in expenses

	31 March 2015 £000	31 March 2014 £000
Inventories recognised as an expense in the period	66,495	26,491
Write-down of inventories (including losses)	270	-
<b>Total</b>	<b>66,765</b>	<b>26,491</b>

The increase in inventories recognised in the period is due to the transfer of the NHS Stores, on 1 April 2014, from Abertawe Bro Morgannwg and Aneurin Bevan University Local Health Boards to NWSSP hosted by Velindre NHS Trust.

19. Trade and other receivables

19.1 Trade and other receivables

	31 March 2015 £000	31 March 2014 £000
<b>Current</b>		
Welsh Government	245,015	195,984
Welsh Health Specialised Services Committee	1,537	1,386
Welsh Health Boards	13,796	9,569
Non - Welsh Trusts	37	225
Other NHS	53	101
Welsh Local Authorities	374	190
Capital debtors	31	-
Other debtors	5,714	4,707
Provision for impairment of trade receivables	(373)	(362)
Pension Prepayments		
Other prepayments	5,533	7,497
Accrued income	747	-
Sub-total	<b>272,464</b>	<b>219,297</b>
<b>Non-current</b>		
Welsh Government	459,910	417,597
Other debtors	502	-
Sub-total	<b>460,412</b>	<b>417,597</b>
<b>Total trade and other receivables</b>	<b>732,876</b>	<b>636,894</b>

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

19.2 Receivables VAT	31 March	31 March
	2015	2014
	£000	£000
Trade receivables	452	307
<b>Total</b>	<b>452</b>	<b>307</b>

19.3 Receivables past their due date but not impaired

	31 March	31 March
	2015	2014
	£000	£000
By up to 3 months	1,256	975
By 3 to 6 months	479	39
By more than 6 months	297	343
<b>Balance at end of financial year</b>	<b>2,032</b>	<b>1,357</b>

19.4 Provision for the impairment of receivables

	31 March	31 March
	2015	2014
	£000	£000
Balance at beginning of the year	(362)	(391)
Provision utilised (Amount written off during the year)	30	-
(Increase)/decrease in receivables impaired	(41)	29
<b>Balance at end of financial year</b>	<b>(373)</b>	<b>(362)</b>

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.



**20. Cash and cash equivalents**

	<b>31 March</b>	<b>31 March</b>
	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Opening Balance	20,714	29,420
Net change in year	13,548	(8,706)
<b>Closing Balance</b>	<b>34,262</b>	<b>20,714</b>
<b>Made up of:</b>		
Cash with Government Banking Service (GBS)	9,577	9,202
Cash with Commercial banks	36	65
Cash in hand	49	40
<b>Cash as in Statement of Financial Position</b>	<b>9,662</b>	<b>9,307</b>
Current investments	24,600	11,407
<b>Cash and cash equivalents as in Statement of Financial Position</b>	<b>34,262</b>	<b>20,714</b>
<b>Cash &amp; cash equivalents as in Statement of Cash Flows</b>	<b>34,262</b>	<b>20,714</b>

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

**21. Trade and other payables**

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

	<b>31 March 2015 £000</b>	<b>31 March 2014 £000</b>
<b>Current</b>		
Welsh Government	1,428	2,325
WHSSC & EASC	51	-
Welsh Health Boards	32,909	23,728
Other NHS	135	135
Welsh Local Authorities	976	464
Income tax and social security		
VAT payable to HMRC	-	49
Other taxes payable to HMRC	517	1,699
National Insurance contributions payable to HMRC	1,151	2,149
Non-NHS trade payables - revenue	19,010	12,361
Non-NHS trade payables - capital	20,668	9,915
Rentals due under operating leases	41	53
Obligations due under finance leases and HP contracts	625	640
Pensions: staff	3,093	2,971
Accruals	17,933	11,876
Deferred Income		
Deferred income brought forward	1,155	2,034
Deferred income additions	1,191	1,088
Transfer to/from current/non current deferred income	(8)	-
Released to the Income Statement	(1,148)	(1,967)
Other liabilities - all other payables	-	782
Sub-total	<u>99,727</u>	<u>70,302</u>
Non-NHS trade payables - revenue	221,742	207,146
Non-NHS trade payables - capital	-	3,423
Obligations due under finance leases and HP contracts	580	1,232
Deferred Income		
Deferred income additions	36	-
Transfer to/from current/non current deferred income	8	-
Sub-total	<u>222,366</u>	<u>211,801</u>
<b>Total</b>	<u>322,093</u>	<u>282,103</u>

The non current Non-NHS trade payables - revenue relates to the WRP periodical payment order.

---

**Summarised Accounts of NHS Trusts in Wales 2014-15**

---

**22. Borrowings**

<b>Current</b>	<b>31 March</b>	<b>31 March</b>
	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Finance lease liabilities	1,430	1,346
<b>Total</b>	<b>1,430</b>	<b>1,346</b>
<b>Non-current</b>		
Finance lease liabilities	5,359	6,775
<b>Total</b>	<b>5,359</b>	<b>6,775</b>

**22.2 Loan advance/strategic assistance funding**

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

**23. Other financial liabilities**

The NHS trusts have no Other Financial Liabilities.

Summarised Accounts of NHS Trusts in Wales 2014-15

24. Provisions

2014-15

24.1 NHS Trusts including Welsh Risk Pool

	At 1 April 2014	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 2015
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence	164,623	(16,322)	(4,995)	6,580	166,245	(56,627)	(60,739)	(2,679)	196,086
Personal injury	3,460	-	(303)	1,326	6,706	(3,492)	(1,878)	100	5,919
All other losses and special payments	-	-	-	-	204	(64)	-	-	140
Defence legal fees and other administration	2,305	-	-	1,677	5,605	(1,312)	(3,213)	(11)	5,051
Pensions relating to: other staff	41		(6)	27	10	(28)	(4)	3	43
Restructurings	-			-	430	-	-		430
Other	575		-	133	828	-	(7)		1,529
<b>Total</b>	<b>171,004</b>	<b>(16,322)</b>	<b>(5,304)</b>	<b>9,743</b>	<b>180,028</b>	<b>(61,523)</b>	<b>(65,841)</b>	<b>(2,587)</b>	<b>209,198</b>
<b>Non Current</b>									
Clinical negligence	206,890	(3,336)	-	(6,857)	51,985	(4,138)	(7,163)	(150)	237,231
Personal injury	7,980	-	-	(1,351)	457	(71)	-	-	7,015
Defence legal fees and other administration	2,210	-	-	(1,375)	283	(98)	(82)	(1)	937
Pensions relating to: other staff	313			(27)	15	(10)	-	-	291
Other	270		-	(133)	30	-	-		167
<b>Total</b>	<b>217,663</b>	<b>(3,336)</b>	<b>-</b>	<b>(9,743)</b>	<b>52,770</b>	<b>(4,317)</b>	<b>(7,245)</b>	<b>(151)</b>	<b>245,641</b>
<b>TOTAL</b>									
Clinical negligence	371,513	(19,658)	(4,995)	(277)	218,230	(60,765)	(67,902)	(2,829)	433,317
Personal injury	11,440	-	(303)	(25)	7,163	(3,563)	(1,878)	100	12,934
All other losses and special payments	-	-	-	-	204	(64)	-	-	140
Defence legal fees and other administration	4,515	-	-	302	5,888	(1,410)	(3,295)	(12)	5,988
Pensions relating to: other staff	354		(6)	-	25	(38)	(4)	3	334
Other	845		-	-	858	-	(7)		1,696
<b>Total</b>	<b>388,667</b>	<b>(19,658)</b>	<b>(5,304)</b>	<b>-</b>	<b>232,798</b>	<b>(65,840)</b>	<b>(73,086)</b>	<b>(2,738)</b>	<b>454,839</b>

Expected timing of cash flows:

	In remainder of spending review 31 Mar 2016	Between 1 Apr 2016 to 31 March 2021	Between 1 Apr 2021 to 31 March 2026	Thereafter	Total
	£000	£000	£000	£000	£000
Clinical negligence	74,694	240,536	71,000	47,087	433,317
Personal injury	5,919	2,108	1,897	3,010	12,934
All other losses and special payments	140	-	-	-	140
Defence legal fees and other administration	5,051	937	-	-	5,988
Pensions - other staff	43	181	105	5	334
Restructuring	430	-	-	-	430
Other	1,529	167	-	-	1,696
<b>Total</b>	<b>87,806</b>	<b>243,929</b>	<b>73,002</b>	<b>50,102</b>	<b>454,839</b>

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

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

Other Provisions include:

- Dilapidations £1,475k
- Decommissioning cesium sources £150k
- Employee Costs £71k

Summarised Accounts of NHS Trusts in Wales 2014-15

24. Provisions

2014-15

24.2 NHS Trusts excluding Welsh Risk Pool

	At 1 April 2014	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 2015
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>								
Clinical negligence	3,499	-	-	7,902	(712)	(5,603)	-	5,086
Personal injury	1,598	-	-	1,392	(994)	(233)	106	1,869
All other losses and special payments	-	-	-	204	(64)	-	-	140
Defence legal fees and other administration	440	-	-	473	(90)	(151)	-	672
Pensions relating to: other staff	41	(6)	27	10	(28)	(4)	3	43
Restructurings	-	-	-	430	-	-	-	430
Other	575	-	133	828	-	(7)	-	1,529
<b>Total</b>	<b>6,153</b>	<b>(6)</b>	<b>160</b>	<b>11,239</b>	<b>(1,888)</b>	<b>(5,998)</b>	<b>109</b>	<b>9,769</b>
<b>Non Current</b>								
Clinical negligence	-	-	-	-	-	-	-	-
Personal injury	6,629	-	-	457	(71)	-	-	7,015
Pensions relating to: other staff	313	-	(27)	15	(10)	-	-	291
Other	270	-	(133)	30	-	-	-	167
<b>Total</b>	<b>7,212</b>	<b>-</b>	<b>(160)</b>	<b>502</b>	<b>(81)</b>	<b>-</b>	<b>-</b>	<b>7,473</b>
<b>TOTAL</b>								
Clinical negligence	3,499	-	-	7,902	(712)	(5,603)	-	5,086
Personal injury	8,227	-	-	1,849	(1,065)	(233)	106	8,884
All other losses and special payments	-	-	-	204	(64)	-	-	140
Defence legal fees and other administration	440	-	-	473	(90)	(151)	-	672
Pensions relating to: other staff	354	(6)	-	25	(38)	(4)	3	334
-	-	-	-	430	-	-	-	430
Other	845	-	-	858	-	(7)	-	1,696
<b>Total</b>	<b>13,365</b>	<b>(6)</b>	<b>-</b>	<b>11,741</b>	<b>(1,969)</b>	<b>(5,998)</b>	<b>109</b>	<b>17,242</b>

Expected timing of cash flows:

	In remainder of spending review 31 Mar 2016	Between 1 Apr 2016 to 31 March 2021	Between 1 Apr 2021 to 31 March 2026	Thereafter	Total
	£000	£000	£000	£000	£000
Clinical negligence	5,086	-	-	-	5,086
Personal injury	1,869	2,108	1,897	3,010	8,884
All other losses and special payments	140	-	-	-	140
Defence legal fees and other administration	672	-	-	-	672
Pensions - other staff	43	181	105	5	334
Restructuring	430	-	-	-	430
Other	1,529	167	-	-	1,696
<b>Total</b>	<b>9,769</b>	<b>2,456</b>	<b>2,002</b>	<b>3,015</b>	<b>17,242</b>

The provisions relate to the total liability of the NHS Wales Trusts that is for amounts less than £25,000 and those greater than £25,000 which will be reimbursed by the Welsh Risk Pool.

24. Provisions

2014-15

24.3 Welsh Risk Pool

	At 1 April 2014	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 2015
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>									
Clinical negligence	164,483	(16,322)	(4,995)	6,580	165,934	(56,394)	(60,757)	(2,679)	195,850
Personal injury	2,530	-	(303)	1,326	5,990	(2,713)	(1,794)	(6)	5,030
Defence legal fees and other administration	1,969	-	-	1,677	5,182	(1,228)	(3,076)	(11)	4,513
<b>Total</b>	<b>168,982</b>	<b>(16,322)</b>	<b>(5,298)</b>	<b>9,583</b>	<b>177,106</b>	<b>(60,335)</b>	<b>(65,627)</b>	<b>(2,696)</b>	<b>205,393</b>
<b>Non Current</b>									
Clinical negligence	206,890	(3,336)	-	(6,857)	51,985	(4,138)	(7,163)	(150)	237,231
Personal injury	1,351	-	-	(1,351)	-	-	-	-	-
Defence legal fees and other administration	2,210	-	-	(1,375)	283	(98)	(82)	(1)	937
<b>Total</b>	<b>210,451</b>	<b>(3,336)</b>	<b>-</b>	<b>(9,583)</b>	<b>52,268</b>	<b>(4,236)</b>	<b>(7,245)</b>	<b>(151)</b>	<b>238,168</b>
<b>TOTAL</b>									
Clinical negligence	371,373	(19,658)	(4,995)	(277)	217,919	(60,532)	(67,920)	(2,829)	433,081
Personal injury	3,881	-	(303)	(25)	5,990	(2,713)	(1,794)	(6)	5,030
Defence legal fees and other administration	4,179	-	-	302	5,465	(1,326)	(3,158)	(12)	5,450
<b>Total</b>	<b>379,433</b>	<b>(19,658)</b>	<b>(5,298)</b>	<b>-</b>	<b>229,374</b>	<b>(64,571)</b>	<b>(72,872)</b>	<b>(2,847)</b>	<b>443,561</b>

Expected timing of cash flows:

	In remainder of spending review 31 Mar 2016	Between 1 Apr 2016 to 31 March 2021	Between 1 Apr 2021 to 31 March 2026	Thereafter	Total
	£000	£000	£000	£000	£000
Clinical negligence	74,458	240,536	71,000	47,087	433,081
Personal injury	5,030	-	-	-	5,030
Defence legal fees and other administration	4,513	937	-	-	5,450
<b>Total</b>	<b>84,001</b>	<b>241,473</b>	<b>71,000</b>	<b>47,087</b>	<b>443,561</b>

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.

Summarised Accounts of NHS Trusts in Wales 2014-15

24. Provisions

2013-14

24.4 NHS Trusts including Welsh Risk Pool

	At 1 April 2013	Structured settlement cases transferred to Risk Pool	Transfer of provisions between Current and Non Current	Arising during the year	Utilised during the year	Reversed unused	Unwinding of discount	At 31 March 2014
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Current</b>								
Clinical negligence	173,388	(38,219)	2,208	111,699	(54,475)	(28,216)	(1,762)	164,623
Personal injury	6,906	-	(9)	4,392	(3,513)	(4,433)	117	3,460
All other losses and special payments	-	-	-	21	(21)	-	-	-
Defence legal fees and other administration	2,133	-	(339)	2,529	(717)	(1,296)	(5)	2,305
Pensions relating to: other staff	44		-	37	(42)	(1)	3	41
Other	695		-	573	(633)	(60)		575
<b>Total</b>	<b>183,166</b>	<b>(38,219)</b>	<b>1,860</b>	<b>119,251</b>	<b>(59,401)</b>	<b>(34,006)</b>	<b>(1,647)</b>	<b>171,004</b>
<b>Non Current</b>								
Clinical negligence	155,099	-	(1,782)	76,856	(4,293)	(18,968)	(22)	206,890
Personal injury	7,072	-	20	809	(143)	222	-	7,980
Defence legal fees and other administration	986	-	(98)	1,067	(82)	337	-	2,210
Pensions relating to: other staff	295		-	-	32	(14)	-	313
Other	266		-	-	4	-		270
<b>Total</b>	<b>163,718</b>	<b>-</b>	<b>(1,860)</b>	<b>78,732</b>	<b>(4,482)</b>	<b>(18,423)</b>	<b>(22)</b>	<b>217,663</b>
<b>TOTAL</b>								
Clinical negligence	328,487	(38,219)	426	188,555	(58,768)	(47,184)	(1,784)	371,513
Personal injury	13,978	-	11	5,201	(3,656)	(4,211)	117	11,440
All other losses and special payments	-	-	-	21	(21)	-	-	-
Defence legal fees and other administration	3,119	-	(437)	3,596	(799)	(959)	(5)	4,515
Pensions relating to: other staff	339		-	37	(10)	(15)	3	354
Other	961		-	573	(629)	(60)		845
<b>Total</b>	<b>346,884</b>	<b>(38,219)</b>	<b>-</b>	<b>197,983</b>	<b>(63,883)</b>	<b>(52,429)</b>	<b>(1,669)</b>	<b>388,667</b>

Included in other are provisions for

- £618k for the dilapidations on leased buildings,
- £156k the expected cost of decommissioning caesium sources,
- £69k relating to employee costs, and
- £2k for unpaid annual leave entitlement to staff in respect of frozen holiday leave entitlement



---

**Summarised Accounts of NHS Trusts in Wales 2014-15**

---

**25. Finance lease obligations****25.1 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.

<b>OTHER</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
<b>Minimum lease payments</b>	<b>£000</b>	<b>£000</b>
Within one year	2,341	2,322
Between one and five years	6,262	7,916
After five years	121	821
Less finance charges allocated to future periods	(638)	(922)
	<b>8,086</b>	<b>10,137</b>
Included in:		
Current borrowings	1,430	1,346
Non-current borrowings	5,359	6,775
	<b>6,789</b>	<b>8,121</b>
<b>Present value of minimum lease payments</b>		
Within one year	2,055	1,986
Between one and five years	5,821	7,218
After five years	117	789
	<b>7,993</b>	<b>9,993</b>
Included in:		
Current borrowings	2,055	1,986
Non-current borrowings	5,938	8,007
	<b>7,993</b>	<b>9,993</b>

**25.2 Finance lease receivables (as lessor)**

The NHS trusts have no finance lease receivables as lessor.

**25.3 Finance Lease Rental Revenue**

The NHS trusts have no finance lease rental revenue.

**26. Finance lease commitments**

The NHS trusts have not entered into any new contracts to lease under finance leases during 2014 -15.

**27. Private finance transactions**

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

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

## 28. Financial risk

IFRS 7, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationships that the NHS trusts have previously had with health authorities and Health Commission Wales and 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.

**29. Financial Instruments**

<b>Financial assets</b>		<b>31 March 2015</b>	31 March 2014
	<b>Loans Receivables &amp; Deposits held to maturity at amortised cost £000</b>	<b>TOTAL £000</b>	<b>TOTAL £000 Restated</b>
<b>Cash and Cash Equivalents</b>			
Cash balances (GBS, commercial banks and in hand)	<b>9,662</b>	<b>9,662</b>	9,307
Liquid deposits	<b>24,600</b>	<b>24,600</b>	11,407
<b>Receivables</b>			
Trade and other receivables (net of impairment allowance)	<b>726,969</b>	<b>726,969</b>	629,759
Accrued Income (must exclude prepayments)	<b>747</b>	<b>747</b>	-
<b>Total</b>	<b><u>761,978</u></b>	<b><u>761,978</u></b>	<b><u>650,473</u></b>
 <b>Financial liabilities</b>		 <b>31 March 2015</b>	 31 March 2014
	<b>Carried at amortised cost £000</b>	<b>TOTAL £000</b>	<b>TOTAL £000</b>
<b>Trade and Other Payables</b>			
Trade and other payables	<b>(300,053)</b>	<b>(300,053)</b>	(263,303)
Accruals	<b>(17,933)</b>	<b>(17,933)</b>	(11,876)
PFI and lease obligations	<b>(7,994)</b>	<b>(7,994)</b>	(9,993)
<b>Total</b>	<b><u>(325,980)</u></b>	<b><u>(325,980)</u></b>	<b><u>(285,172)</u></b>

Financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies. The 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 the NHS trusts in undertaking their activities.

The financial instruments note has been restated in line with the HM Treasury requirements for Whole of Government Accounts disclosures, with corresponding restatement of the prior year.

### 30. Contingencies

#### 30.1 Contingent liabilities

	<b>31 March</b>	<b>31 March</b>
	<b>2015</b>	<b>2014</b>
	<b>£000</b>	<b>£000</b>
Provision has not been made in these accounts for the following amounts:		
Legal claims for alleged medical or employer negligence	<u>686,373</u>	<u>657,373</u>
Total value of disputed claims	<b>686,373</b>	657,373
Amount recovered under insurance arrangements in the event of these claims being successful	<u>(684,479)</u>	<u>(655,695)</u>
Net contingent liability	<u><b>1,894</b></u>	<u>1,678</u>

The above figures for 31st March 2015 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'.

#### 30.2 Contingent assets

The NHS trusts have no contingent assets.

### 31. Third party assets

The NHS trusts have no third party assets.

**32. Events after reporting period**

On 1 April 2015 the Health Courier Services (HCS) function and its associated assets and liabilities were transferred from Welsh Ambulance Services NHS Trust to NHS Wales Shared Services Partnership (NWSSP) hosted by Velindre NHS Trust. The transfer of functions were treated using absorption accounting adapted for the issue of PDC. All transactions and balances related to those functions pre 1 April 2015 are included in the transferor accounts and post 1 April 2015 are included in Velindre NHS Trust's financial statements.

During the year to 31 March 2015 income related to this service amounted to £4.620m (£4.623m 2013/14). Costs expended in supporting this service were of a similar amount with a net impact on operating surplus in 2014/15 of £0.150m. The net book value of property, plant and equipment transferring to NWSSP on 1 April 2015 is £0.815m. The majority of these assets are commercial vans.

**33. 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.

34. Losses and special payments

34.1 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 2015		Approved to write-off year to 31 March 2015	
	Number	£	Number	£
Clinical negligence	330	58,381,175	327	58,335,004
Personal injury	159	4,287,563	89	3,812,229
All other losses and special payments	140	394,051	13	272,896
<b>Total</b>	<b>629</b>	<b>63,062,789</b>	<b>429</b>	<b>62,420,129</b>

Cases paid in 2014-15 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 £	
		2014-15	2014-15	2014-15	
All NHS Wales Health Boards and NHS Trusts					
ABMU	6	3,668,769	4,143,264	3,668,769	
Aneurin Bevan	11	8,590,961	9,446,413	8,590,961	
BCU	10	6,492,816	6,982,995	6,492,816	
	6	5,662,372	5,999,937	5,662,372	
Cwm Taff	6	6,373,181	7,156,711	6,373,181	
Hywel Dda	6	6,051,729	7,261,479	6,051,729	
Powys	1	1,942,961	1,943,041	1,942,961	
09RQFMN0005 PHW	Clinical Negligence	1	123,431	912,117	912,117
05RT4MN0001 WAST	Clinical Negligence	1	-	2,008,225	2,008,225
Sub-total	48	38,906,220	45,854,182	41,703,131	
All other losses and payments		24,156,569	54,514,193	20,716,998	
<b>Total</b>		<b>63,062,789</b>	<b>100,368,375</b>	<b>62,420,129</b>	

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.

34. Losses and special payments

34.2 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 2015		Approved to write-off year to 31 March 2015	
	Number	£	Number	£
Clinical negligence	19	694,695	13	3,364,231
Personal injury	112	1,029,083	36	656,260
All other losses and special payments	139	202,412	12	81,258
<b>Total</b>	<b>270</b>	<b>1,926,190</b>	<b>61</b>	<b>4,101,749</b>

Cases paid in 2014-15 where the cumulative sum exceeded £300,000 are as follows:

	Case Tyoe	Amounts paid out in year	Cumulative amount	Approved to write-off in year	
		£ 2014-15	£ 2014-15	£ 2014-15	
09RQFMN0005	Public Health Wales	Clinical Negligence	123,431	912,117	912,117
05RT4MN0001	Welsh Ambulance	Clinical Negligence	-	2,008,225	2,008,225
Sub-total			123,431	2,920,342	2,920,342
All other losses and payments			1,802,759	7,394,020	1,181,407
<b>Total</b>			<b>1,926,190</b>	<b>10,314,362</b>	<b>4,101,749</b>

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.



34. Losses and special payments

34.3 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 2015		Approved to write-off year to 31 March 2015	
	Number	£	Number	£
Clinical negligence	324	58,181,725	324	58,181,725
Personal injury	58	3,433,937	58	3,433,937
All other losses and special payments	1	191,638	1	191,638
<b>Total</b>	<b>383</b>	<b>61,807,300</b>	<b>383</b>	<b>61,807,300</b>

Cases paid in 2014-15 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 £
		2014-15	2014-15	2014-15
ABMU	6	3,668,769	4,143,264	3,668,769
Aneurin Bevan	11	8,590,961	9,446,413	8,590,961
BCU	10	6,492,816	6,982,995	6,492,816
Cardiff and Vale	6	5,662,372	5,999,937	5,662,372
Cwm Taf	6	6,373,181	7,156,710	6,373,181
Hywel Dda	6	6,051,729	7,261,479	6,051,729
	1	1,942,961	1,943,041	1,942,961
<b>Sub-total</b>	<b>46</b>	<b>38,782,789</b>	<b>42,933,839</b>	<b>38,782,789</b>
<b>All other cases</b>	<b>337</b>	<b>23,024,511</b>	<b>47,790,874</b>	<b>23,024,511</b>
<b>Total cases</b>	<b>383</b>	<b>61,807,300</b>	<b>90,724,713</b>	<b>61,807,300</b>

### 35. Other

#### **Transfer of All Wales Stores**

On the 1 April 2014 the All Wales Stores service transferred from ABMUHB and ABUHB to NWSSP which is hosted by Velindre NHS Trust.

The transfer of the function was completed using absorption accounting, adapted for the issue of PDC. All transactions and balances related to the function pre 31 March 2014 are included in the transferor accounts and subsequent to 1 April 2014 are included in the Velindre NHS Trust's financial statements.

#### **GP trainees single lead employer arrangement**

In September 2014 the Minister for Health & Social Services approved a single lead employer arrangement for GP Trainees in Wales with the lead employer being NWSSP. A detailed SLA has been drafted to cover the Lead Employer and Host Employer responsibilities under the new arrangements.

The roll out of arrangements commenced in February 2015, with the 111 GP trainees from the August 2014 intake being enrolled within NWSSP. The gross cost of the scheme for the year 2014-15 was £926,000 with the full costs being charged to the Local Health Boards and Trusts who host the trainees.

Further GP trainees will be enrolled in August of each year with the new intake rotations.

**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).