

Y Pwyllgor Archwilio a Sicrwydd

Tue 24 May 2022, 10:00 - 11:00

Virtual

Agenda

10:00 - 10:00
0 min

1. MATERION RHAGARWEINOL

1.1 Croeso a Chyflwyniadau

I'w Nodi

Cadeirydd

1.2 Ymddiheuriadau absenoldeb

I'w Nodi

Cadeirydd

1.3 Datganiadau o Fuddiannau

I'w Nodi

Cadeirydd




10:00 - 10:00
0 min

2. BUSNES Y CYFARFOD

2.1 Cyflwyno Cyfrifon Drafft

I'w Nodi

Cyfarwyddwr Gweithredol Cyllid

-  2.1 Draft Accounts Update.pdf (4 pages)
-  2.1i DHCW Accounts 21-22-combined.pdf (63 pages)
-  2.1ii Board Development Presentation Annual Accounts F-01.pdf (39 pages)

10:00 - 10:00
0 min

3. MATERION I GLOI

3.1 Unrhyw Faterion Brys eraill

I'w Trafod

Cadeirydd

3.2 Dyddiad y cyfarfod nesaf: 14/06/2022

DIGITAL HEALTH AND CARE WALES

FINANCIAL UPDATE

2021/22 DRAFT ACCOUNTS

Agenda Item	2.1
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Name of Meeting	Audit and Assurance Committee
Date of Meeting	24 May 2022

Public or Private	Public
IF PRIVATE: please indicate reason	N/A

Executive Sponsor	Claire Osmundsen-Little Executive Director of Finance & Business Assurance
Prepared By	Mark Cox Associate Director of Finance
Presented By	Claire Osmundsen-Little Executive Director of Finance & Business Assurance

Purpose of the Report	For Noting
Recommendation	
<p>The Audit and Assurance Committee is asked to NOTE the draft 2021-22 Annual Accounts for DHCW in Appendix 1 and the Board Development Session 'Annual Accounts awareness' slides in Appendix 2</p>	

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Tŷ GLAN-YR-AFON 21 Cowbridge Road East, Cardiff CF11 9AD

Acronyms			
SoCNE	Statement of Comprehensive Net Expenditure	WHC	Welsh Health Circular
DHCW	Digital Health and Care Wales	SHA	Special Health Authority

1 SITUATION/BACKGROUND

- 1.1 The draft Annual Accounts for DHCW for 2021-22 were submitted to the Welsh Government and Audit Wales on 29th April 2022 and are currently being audited by Audit Wales.
- 1.2 A copy of the draft accounts for 2021-22 is included in Appendix 1.
- 1.3 Slides from the recent Board Development Session on Annual Accounts Awareness are also included in Appendix 2.
- 1.4 The final audited accounts for 2021-22 will be submitted to be approved by the Audit Committee and the Board on 14th June before submission to the Welsh Government on 15th June.

2 SPECIFIC MATTERS FOR CONSIDERATION BY THIS MEETING (ASSESSMENT)

- 2.1 The accounts direction sets out the period and basis of preparation of the accounts, key developments are that there is a requirement for a 15 month set of accounts rather than the usual 12 month as a result of timing of the organisations establishment.
- 2.2 The Annual Accounts consist of 5 Key summary statements accompanied by 53 pages of published accounting notes and numerous off submission file notes, source documents and reconciliations.

Summary Statements comprise of:

- **Statement of Comprehensive Net Expenditure** - The Statement of Comprehensive Net Expenditure (SoCNE) summarises, on an accruals basis, DHCW's net operating costs.
- **Other Comprehensive Net Expenditure** - This report is a primary statement showing the expenditure impact of changes to fixed asset valuations, reserve valuations and impairments
- **Statement of Financial Position as at 31 March 2022** - This statement is what is commonly known as the Balance sheet which presents Organisational assets and liabilities.
- **Statement of Changes in Taxpayers' Equity** - This Statement is now required under IAS 1, interpreted to include figures for net operating cost for the year and net Welsh Government funding for the year.
- **Statement of Cash Flows for period ended 31 March 2022** - The cash flows reported relate to movements in cash and cash equivalents (short-term highly liquid investments

that are readily converted into known amounts of cash and subject to insignificant risk of changes in value, which is assumed if the instrument's maturity is 90 days or less).

2.3 Key Supporting Notes include:

- Note 2.1 DHCW Revenue Performance
- Note 2.2 DHCW Capital performance
- Note 3.1 General Medical Services Expenditure
- Note 3.2 Other Operating Expenditure
- Note 3.3 Losses, Special Payments And Irrecoverable Debts

Meetings with Audit Wales are scheduled 2 times per week and it is anticipated that sample testing will accelerate up to 20/5/2022.

3 RECOMMENDATION

- 3.1 The Audit and Assurance Committee is asked to **NOTE** the draft 2021-22 Annual Accounts for DHCW in Appendix 1 and the Board Development Session 'Annual Accounts awareness' slides in Appendix 2

4 IMPACT ASSESSMENT

STRATEGIC OBJECTIVE	All Objectives apply
CORPORATE RISK (ref if appropriate)	N/A
<u>WELL-BEING OF FUTURE GENERATIONS ACT</u>	A healthier Wales
If more than one standard applies, please list below:	
<u>DHCW QUALITY STANDARDS</u>	N/A
N/A	
<u>HEALTH CARE STANDARD</u>	Governance, leadership and accountability
If more than one standard applies, please list below:	
<u>EQUALITY IMPACT ASSESSMENT STATEMENT</u>	Date of submission: N/A
No, (detail included below as to reasoning)	Outcome: N/A
N/A	

APPROVAL/SCRUTINY ROUTE:

Person/Committee/Group who have received or considered this paper prior to this meeting

COMMITTEE OR GROUP	DATE	OUTCOME
Management Board	16/05/2022	Noted

IMPACT ASSESSMENT

QUALITY AND SAFETY IMPLICATIONS/IMPACT	No, there are no specific quality and safety implications related to the activity outlined in this report.
LEGAL IMPLICATIONS/IMPACT	No, there are no specific legal implications related to the activity outlined in this report.
FINANCIAL IMPLICATION/IMPACT	No, there are no specific financial implication related to the activity outlined in this report
WORKFORCE IMPLICATION/IMPACT	No, there is no direct impact on resources as a result of the activity outlined in this report.
SOCIO ECONOMIC IMPLICATION/IMPACT	No. there are no specific socio-economic implications related to the activity outlined in this report

Digital Health & Care Wales (DHCW) Special Health Authority

FOREWORD

These accounts have been prepared by Digital Health & Care Wales, a Welsh Special Health Authority under schedule 9 section 178 Para 3(1) of the National Health Service (Wales) Act 2006 (c.42) in the form in which the Welsh Ministers have, with the approval of the Treasury, directed.

These accounts cover the period 30th December 2020 to 31st March 2022.

Statutory background

DHCW was established by establishment order 2020 No 1451 (W313) under section 22 of the National Health Service (Wales) Act 2006 ("the Act"), which was made on 7th December 2020 and came into force on the 30th December 2020.

DHCW operated in a shadow form until 1 April 2021 with all establishment and set up costs being borne by the Welsh Government, and Public Health Wales NHS Trust. The predecessor body NHS Wales Informatics Services (NWIS) hosted by Velindre University NHS Trust delivered operational activity to 31st March 2021.

On 1st April staff were transferred into DHCW and the organisation became fully operational.

These accounts, whilst covering the period 30th December 2020 to 31st March 2022, present the accounting transactions only for the period of live operation from 1st April 2021 to 31st March 2022.

DHCW is the second Special Health Authority within Wales created to take forward the digital transformation needed for better health and care in Wales, making services more accessible and sustainable while supporting personal health and well-being.

Performance Management and Financial Results

DHCW must comply fully with the Treasury's Financial Reporting Manual to the extent that it is applicable to them. As a result, the Primary Statement of in-year income and expenditure is the Statement of Comprehensive Net Expenditure, which shows the net operating cost incurred by DHCW which is funded by the Welsh Government. This funding is allocated on receipt directly to the General Fund in the Statement of Financial Position.

DHCW has an annual requirement to achieve a balanced year end position against the Resource and Capital limits set for the year.

Performance against these limits is reported in Note 2 to the financial statements.

Statement of Comprehensive Net Expenditure for the period ended 31 March 2022

		30 December 2020 to 31 March 2022 £000
	Note	
General Medical Services	3.1	17,654
Other Operating Expenditure	3.2	113,048
		<u>130,702</u>
Less: Miscellaneous Income	4	(42,777)
Net operating costs before interest and other gains and losses		87,925
Investment Revenue	5	(3)
Other (Gains) / Losses	6	0
Finance costs	7	0
Net operating costs for the financial period		<u>87,922</u>

See note 2 on page 22 for details of performance against Revenue and Capital allocations.

The notes on pages 7 to 59 form part of these accounts

Other Comprehensive Net Expenditure	30 December 2020
	to
	31 March 2022
	£000
Net gain / (loss) on revaluation of property, plant and equipment	0
Net gain / (loss) on revaluation of intangibles	0
(Gain) / loss on other reserves	0
Net gain / (loss) on revaluation of available for sale financial assets	0
Impairment and reversals	0
Other comprehensive net expenditure for the period	0
Total comprehensive net expenditure for the period	87,922

The notes on pages 7 to 59 form part of these accounts

Statement of Financial Position as at 31 March 2022

31 March 2022

	Notes	£'000
Non-current assets		
Property, plant and equipment	11	17,843
Intangible assets	12	12,090
Trade and other receivables	15	371
Other financial assets	16	0
Total non-current assets		30,304
Current assets		
Inventories	14	0
Trade and other receivables	15	13,707
Other financial assets	16	0
Cash and cash equivalents	17	1,546
		15,253
Non-current assets classified as "Held for Sale"	11	0
Total current assets		15,253
Total assets		45,557
Current liabilities		
Trade and other payables	18	(15,677)
Other financial liabilities	19	0
Provisions	20	(267)
Total current liabilities		(15,944)
Net current assets/ (liabilities)		(691)
Non-current liabilities		
Trade and other payables	18	0
Other financial liabilities	19	0
Provisions	20	0
Total non-current liabilities		0
Total assets employed		29,613
Financed by :		
Taxpayers' equity		
General Fund		29,580
Revaluation reserve		33
Total taxpayers' equity		29,613

The financial statements on pages 2 to 7 were approved by the Board on xx.xxx.2022.

Chief Executive and Accountable Officer

The notes on pages 7 to 59 form part of these accounts

Statement of Changes in Taxpayers' Equity

For the period ended 31 March 2022

	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Changes in taxpayers' equity			
Balance at 30 December 2020	0	0	0
Transfer adjustment NWIS to DHCW	37,705	0	37,705
Balance at 1 April 2021	37,705	0	37,705
Net operating cost for the period	(87,922)		(87,922)
Net gain/(loss) on revaluation of property, plant and equipment	0	33	33
Net gain/(loss) on revaluation of intangible assets	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	0	0
Impairments and reversals	0	0	0
Other reserve movement	0	0	0
Transfers between reserves	0	0	0
Release of reserves to SoCNE	0	0	0
Transfers to/from (please specify)	0	0	0
Total recognised income and expense for period	(87,922)	33	(87,889)
Net Welsh Government funding	77,795		77,795
Welsh Government notional funding	2,002		2,002
Balance at 31 March 2022	29,580	33	29,613

The notes on pages 7 to 59 form part of these accounts

Statement of Cash Flows for period ended 31 March 2022

30 December 2020

to

31 March 2022

£000

Cash Flows from operating activities

notes

Net operating cost for the financial period		(87,922)
Movements in Working Capital	27	1,136
Other cash flow adjustments	28	21,037
Provisions utilised	20	0
Net cash outflow from operating activities		(65,749)

Cash Flows from investing activities

Purchase of property, plant and equipment		(8,873)
Proceeds from disposal of property, plant and equipment		0
Purchase of intangible assets		(1,627)
Proceeds from disposal of intangible assets		0
Payment for other financial assets		0
Proceeds from disposal of other financial assets		0
Payment for other assets		0
Proceeds from disposal of other assets		0
Net cash inflow/(outflow) from investing activities		(10,500)
Net cash inflow/(outflow) before financing		(76,249)

Cash Flows from financing activities

Welsh Government funding (including capital)		77,795
Capital receipts surrendered		0
Capital grants received		0
Capital element of payments in respect of finance leases and on-SoFP		0
Cash transferred (to)/ from other NHS bodies		0
Net financing		77,795
Net increase/(decrease) in cash and cash equivalents		1,546
Cash and cash equivalents (and bank overdrafts) at 1 April 2021		0
Cash and cash equivalents (and bank overdrafts) at 31 March 2022		1,546

The notes on pages 7 to 59 form part of these accounts

Notes to the Accounts

1. Accounting policies

The Minister for Health and Social Services has directed that the financial statements of Special Health Authorities (SHAs) in Wales shall meet the accounting requirements of the NHS Wales Manual for Accounts. Consequently, the following financial statements have been prepared in accordance with the 2021-22 Manual for Accounts. The accounting policies contained in that manual follow the 2021-22 Financial Reporting Manual (FReM), in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, except for IFRS 16 Leases, which is deferred until 1 April 2022; to the extent that they are meaningful and appropriate to the NHS in Wales.

Where the 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 SHA for the purpose of giving a true and fair view has been selected. The particular policies adopted by the SHA are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1. Accounting convention

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

1.2. 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 SHA are allocations (Welsh Government funding) from the Welsh Government within an approved cash limit, which is credited to the General Fund of the SHA. 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 SHA and is not funded directly by the Welsh Government. This includes payment for services uniquely provided by the SHA for the Welsh Government. Income received from LHBs transacting with the SHA is always treated as miscellaneous income.

From 2018-19, IFRS 15 Revenue from Contracts with Customers has been applied, as interpreted and adapted for the public sector, in the FReM. It replaces the previous standards IAS 11 Construction Contracts and IAS 18 Revenue and related IFRIC and SIC interpretations. The potential amendments identified as a result of the adoption of IFRS 15 are significantly below materiality levels.

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

1.4.1. 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.

1.4.2. 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.

The latest NHS Pension Scheme valuation results indicated that an increase in benefit required a 6.3% increase (14.38% to 20.68%) which was implemented from 1 April 2019.

As an organisation within the full funding scope, the joint (in NHS England and NHS Wales) transitional arrangement operated from 2019-20 where employers in the Scheme would continue to pay 14.38% employer contributions under their normal monthly payment process, in Wales the additional 6.3% being funded by Welsh Government directly to the Pension Scheme administrator, the NHS Business Services Authority (BSA the NHS Pensions Agency).

However, NHS Wales' organisations are required to account for **their staff** employer contributions of 20.68% in full and on a gross basis, in their annual accounts. Payments made on their behalf by Welsh Government are accounted for on a notional basis. For detailed information see Note 34.1 within these accounts.

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 NHS Wales organisation 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 NHS Wales organisation's 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.

1.4.3. NEST Pension Scheme

An alternative pensions scheme for employees not eligible to join the NHS Pensions scheme has to be offered. 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

1.6.1. 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 NHS Wales organisation;
- 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.

1.6.2. 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 services or for administrative purposes are stated in the Statement of Financial Position (SoFP) 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 and, where it would meet the location requirements of the service being provided, an alternative site can be valued. NHS Wales' organisations 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.

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

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

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

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

Assets which were most recently held for their service potential but are surplus should be valued at current value in existing use, if there are restrictions on the NHS organisation or the asset which would prevent access to the market at the reporting date. If the NHS organisation could access the market then the surplus asset should be used at fair value using IFRS 13. In determining whether such an asset which is not in use is surplus, an assessment should be made on whether there is a clear plan to bring the asset back into use as an operational asset. Where there is a clear plan, the asset is not surplus and the current value in existing use should be maintained. Otherwise the asset should be assessed as being surplus and valued under IFRS13.

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

1.6.3. Subsequent expenditure

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

1.7. Intangible assets

1.7.1. Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the 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 NHS Wales organisation; 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
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Measurement

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

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

1.8. Depreciation, amortisation and impairments

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

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

Impairment losses that do not result from a loss of economic value or service potential are taken to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to the 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 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.

1.11. 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.

1.11.1. The NHS Wales organisation 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 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.

1.11.2. The NHS Wales organisation as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the NHS Wales organisation 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 NHS Wales organisation'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.

1.12. Inventories

Whilst it is accounting convention for inventories to be valued at the lower of cost and net realisable value using the weighted average or "first-in first-out" cost formula, it should be recognised that the NHS is a special case in that inventories are not generally held for the intention of resale and indeed there is no market readily available where such items could be sold. Inventories are valued at cost and this is

considered to be a reasonable approximation to fair value due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

1.13. 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 (SoCF), 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.

1.14. Provisions

Provisions are recognised when the NHS Wales organisation has a present legal or constructive obligation as a result of a past event, it is probable that the NHS Wales organisation 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 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 NHS Wales organisation 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 NHS Wales organisation 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.

1.14.1. Clinical negligence and personal injury costs

The Welsh Risk Pool Services (WRPS) 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 implemented in both 2020-21 and 2019-20, although no costs were apportioned to DHCW during the year. The WRP is hosted by Velindre NHS Trust.

1.15 Discount Rates

Where discount is applied, a disclosure detailing the impact of the discounting on liabilities to be included for the relevant notes. The disclosure should include where possible undiscounted values to demonstrate the impact. An explanation of the source of the discount rate or how the discount rate has been determined to be included.

1.16. Financial Instruments

From 2018-19 IFRS 9 Financial Instruments has applied, as interpreted and adapted for the public sector, in the FReM. The principal impact of IFRS 9 adoption by NHS Wales' organisations, was to change the calculation basis for bad debt provisions, changing from an incurred loss basis to a lifetime expected credit loss (ECL) basis.

All entities applying the FReM recognised the difference between previous carrying amount and the carrying amount at the beginning of the annual reporting period that included the date of initial application in the opening general fund within Taxpayer's equity.

1.17. Financial assets

Financial assets are recognised on the SoFP when the NHS Wales organisation 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.

The accounting policy choice allowed under IFRS 9 for long term trade receivables, contract assets which do contain a significant financing component (in accordance with IFRS 15), and lease receivables within the scope of IAS 17 has been withdrawn and entities should always recognise a loss allowance at an amount equal to lifetime Expected Credit Losses. All entities applying the FReM should utilise IFRS 9's simplified approach to impairment for relevant assets.

IFRS 9 requirements required a revised approach for the calculation of the bad debt provision, applying the principles of expected credit loss, using the practical expedients within IFRS 9 to construct a provision matrix.

1.17.1. 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.

1.17.2. 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.

1.17.3 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.

1.17.4. 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.

1.17.5. 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 SOFP date, the NHS Wales organisation assesses 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 of 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.

1.18. Financial liabilities

Financial liabilities are recognised on the SOFP when the NHS Wales organisation 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

1.18.1. Financial liabilities are initially recognised at fair value

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

1.18.2. Financial liabilities at fair value through the 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 profit and loss. 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. 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.

1.19. Value Added Tax (VAT)

Most of the activities of the NHS Wales organisation 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.

1.20. 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 SoFP date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date.

1.21. 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 Wales organisation has no beneficial interest in them. Details of third party assets are given in the Notes to the accounts.

1.22. 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 the NHS Wales organisation 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.

The NHS Wales organisation accounts for all losses and special payments gross (including assistance from the WRP).

The NHS Wales organisation accrues or provides for the best estimate of future pay-outs for certain liabilities and discloses all other potential payments as contingent liabilities, unless the probability of the liabilities becoming payable is remote.

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

1.23. Pooled budget

The NHS Wales organisation has not entered into pooled budgets with Local Authorities. Under the arrangements funds are pooled in accordance with section 33 of the NHS (Wales) Act 2006 for specific activities defined in the Pooled budget Note.

The pool budget is hosted by one NHS Wales's organisation. Payments for services provided are accounted for as miscellaneous income. The NHS Wales organisation accounts for its share of the assets, liabilities, income and expenditure from the activities of the pooled budget, in accordance with the pooled budget arrangement.

1.24. Critical Accounting Judgements and key sources of estimation uncertainty

In the application of the accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. The estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or the period of the revision and future periods if the revision affects both current and future periods.

1.25. Key sources of estimation uncertainty

There are no estimation uncertainties at the SoFP date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1.26 Private Finance Initiative (PFI) transactions

The NHS Wales organisation has no PFI arrangements.

1.27. 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 NHS Wales organisation, 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 NHS Wales organisation. 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.

Remote contingent liabilities are those that are disclosed under Parliamentary reporting requirements and not under IAS 37 and, where practical, an estimate of their financial effect is required.

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.

Where there is a transfer of function 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 and or amended by the IASB and IFRIC but have not been adopted because they are not yet required to be adopted by the FReM

IFRS14 Regulatory Deferral Accounts.

Applies to first time adopters of IFRS after 1 January 2016. Therefore not applicable.

IFRS 16 Leases is to be effective from 1st April 2022.

IFRS 17 Insurance Contracts, Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM: early adoption is not therefore permitted.

1.30. Accounting standards issued that have been adopted early

During 2021-22 there have been no accounting standards that have been adopted early. All early adoption of accounting standards will be led by HM Treasury.

1.31. Charities

DHCW has no NHS Charitable Fund.

2. Financial Duties Performance

DHCW was established as a Special Health Authority. The statutory financial duties of Special Health Authorities are set out in section 172 of the National Health Service (Wales) Act 2006.

Statutory Financial Duties – First Financial Duty

Section 172(1) sets out what is referred to as the 'First Financial Duty' - a duty to secure that DHCW expenditure does not exceed the aggregate of the funding allotted to it for a financial year. Under the powers of direction in the National Health Service (Wales) Act section 172(6) WHC/2019/004 clarified that the annual statutory financial duty is set separately for revenue and capital resource allocations. DHCW was in shadow form for the period 30 December 2020 to 1 April 2021, no resource allocations were made to DHCW for this period. The entity was dormant for the purposes of accounting, with expenditure incurred by predecessor entities for service provision to the date of transfer, or by Welsh Government for establishment costs. Revenue and Capital resource allocations were issued to DHCW for the period 1 April 2021 to 31 March 2022 and will form the basis of assessment of the First Financial Duty in the first statutory accounts.

Administrative Financial Duties – Second Financial Duty

The 'Second Financial Duty' for NHS bodies in Wales is the duty to prepare a plan and for that plan to be submitted to and approved by the Welsh Ministers. The SHAs are not covered by the amendments to the National Health Service (Wales) Act 2006 made by the NHS Finance (Wales) Act 2014 which placed a statutory financial duty upon Local Health Boards to prepare and submit an Integrated Medium Term Plan for approval by the Welsh Ministers. No provisions in the Act, similar to the powers at Schedule 4 Paragraph 2(2) of the Act for NHS Trusts have been exercised to set a statutory financial duty upon SHAs to prepare and submit an Integrated Medium Term Plan for approval by the Welsh Ministers.

During periods of shadow operation the SHAs were not subject to the relevant NHS Wales Planning framework for that year issued to NHS bodies in Wales by Ministerial Direction. No administrative planning duty was placed upon the SHAs for the period of shadow operation.

2.1 Revenue Resource Performance

	Financial performance 2021-22
	£000
Net operating costs for the period	87,922
Less general ophthalmic services expenditure and other non-cash limited expenditure	0
Less revenue consequences of bringing PFI schemes onto SoFP	0
Total operating expenses	87,922
Revenue Resource Allocation	88,288
Under /(over) spend against Allocation	366

DHCW has met its financial duty to break-even against its Revenue Resource Limit over the operational period.

2.2 Capital Resource Performance

	2021-22
	£000
Gross capital expenditure	10,963
Add: Losses on disposal of donated assets	0
Less: NBV of property, plant and equipment and intangible assets disposed	0
Less: capital grants received	0
Less: donations received	0
Charge against Capital Resource Allocation	10,963
Capital Resource Allocation	10,973
(Over) / Underspend against Capital Resource Allocation	10

DHCW has met its financial duty to break-even against its Capital Resource Limit over the operational period.

2.3 Duty to prepare a 1 year plan

Due to the pandemic, the process for the 2020-23 integrated plan was paused in spring 2020 and temporary planning arrangements were implemented.

As a result, DHCW did not have a formal administrative duty to have an approved plan for 2021-22.

As DHCW only had an annual duty to report, there is no extant formal planning duty to report against.

DHCW with the agreement of the Welsh Government, has operated under an annual operating plan that was approved by the Board in 1st April 2022.

2.4 Creditor payment

The SHA is required to pay 95% of the number of non-NHS bills within 30 days of receipt of goods or a valid invoice (whichever is the later). The SHA has achieved the following results:

	2021-22
Total number of non-NHS bills paid	2,995
Total number of non-NHS bills paid within target	2,908
Percentage of non-NHS bills paid within target	97.1%
DHCW has met the target.	

3. Analysis of gross operating costs

3.1 General Medical Services	30 December 2020 to 31 March 2022 Total £000
IT Support and Refresh	3,294
Public Sector Broadband Aggregation	2,398
Systems & Services Contract	6,307
Licences	2,710
Data Quality System Audit	472
Primary Care Services	2,199
Other Expenditure	274
Total	<u>17,654</u>

3.2 Other Operating Expenditure**30 December 2020****to****31 March 2022****Total****£000**

Local Health Boards	4,830
Welsh NHS Trusts	1,315
Welsh Special Health Authorities	10
Goods and services from other NHS bodies	0
WHSSC/EASC	0
Local Authorities	19
Purchase of healthcare from non-NHS bodies	0
Welsh Government	6
Other NHS Trusts	0
Directors' costs	1,208
Operational Staff costs	40,139
Single lead employer Staff Trainee Cost	0
Collaborative Bank Staff Cost	0
Supplies and services - clinical	0
Supplies and services - general	4,092
Consultancy Services	903
Establishment	6,829
Transport	15
Premises	38,324
External Contractors	6,191
Depreciation	3,648
Amortisation	5,288
Fixed asset impairments and reversals (Property, plant & equipment)	0
Fixed asset impairments and reversals (Intangible assets)	0
Impairments & reversals of financial assets	0
Impairments & reversals of non-current assets held for sale	0
Audit fees	216
Other auditors' remuneration	0
Losses, special payments and irrecoverable debts	0
Research and Development	0
NWSSP centrally purchased Covid assets issued free of charge to NHS Wales organisations	0
NWSSP centrally purchased Covid assets issued free of charge to other organisations	0
Other operating costs	15
Total	113,048

**3.3 Losses, special payments and irrecoverable debts:
charges to operating expenses****30 December 2020****to****31 March 2022****Total****£000****Increase/(decrease) in provision for future payments:**

Clinical negligence;	
Secondary care	0
Primary care	0
Redress Secondary care	0
Redress Primary care	0
Personal injury	0
All other losses and special payments	1,173
Defence legal fees and other administrative costs	0
Gross increase/(decrease) in provision for future payments	1,173
Contribution to Welsh Risk Pool	0
Premium for other insurance arrangements	0
Irrecoverable debts	0
Less: income received/due from Welsh Risk Pool	0
Total	1,173

All other losses and special payments incorporates two items, one being an exit payment of £15K and the second item for £1158K is a contractual payment made under the direction of NHS Wales Health Board and fully funded by Welsh Government.

2021-22**£**

Permanent injury included within personal injury £: 0

9.5 Reporting of other compensation schemes - exit packages

	2021-22	2021-22	2021-22	2021-22
Exit packages cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures	Total number of exit packages	Number of departures where special payments have been made
	Whole numbers only	Whole numbers only	Whole numbers only	Whole numbers only
less than £10,000	0	0	0	0
£10,000 to £25,000	0	1	1	1
£25,000 to £50,000	0	0	0	0
£50,000 to £100,000	0	0	0	0
£100,000 to £150,000	0	0	0	0
£150,000 to £200,000	0	0	0	0
more than £200,000	0	0	0	0
Total	0	1	1	1

	2021-22	2021-22	2021-22	2021-22
Exit packages cost band (including any special payment element)	Cost of compulsory redundancies	Cost of other departures	Total cost of exit packages	Cost of special element included in exit packages
	£	£	£	£
less than £10,000	0	0	0	0
£10,000 to £25,000	0	14,422	14,422	14,422
£25,000 to £50,000	0	0	0	0
£50,000 to £100,000	0	0	0	0
£100,000 to £150,000	0	0	0	0
£150,000 to £200,000	0	0	0	0
more than £200,000	0	0	0	0
Total	0	14,422	14,422	14,422

Exit costs paid in year of departure	Total paid in year 2021-22 £
Exit costs paid in year	0
Total	0

The exit package information is based on that from 1 April 2021 to 31 March 2022 the period the organisation was operational.

Redundancy costs have been paid in accordance with the NHS Redundancy provisions, other departure costs have been paid in accordance with the provisions of the NHS Voluntary Early Release Scheme (VERS). Where the SHA has agreed early retirements, the additional costs are met by the SHA and not by the NHS pension scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

Where special payments have been made, the highest value was £14,422 and the lowest value was £14,422. The median value of the payments made was £14,422.

4. Miscellaneous Income**30 December 2020****to****31 March 2022****Total****£000**

Local Health Boards	30,806
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (E.	202
NHS trusts	5,714
Welsh Special Health Authorities	3,524
Foundation Trusts	0
Other NHS England bodies	12
Other NHS Bodies	108
Local authorities	1,568
Welsh Government	65
Welsh Government Hosted Bodies	0
Non NHS:	
Prescription charge income	0
Dental fee income	0
Private patient income	0
Overseas patients (non-reciprocal)	0
Injury Costs Recovery (ICR) Scheme	0
Other income from activities	778
Patient transport services	0
Education, training and research	0
Charitable and other contributions to expenditure	0
Receipt of NWSSP Covid centrally purchased assets	0
Receipt of Covid centrally purchased assets from other organisations	0
Receipt of donated assets	0
Receipt of Government granted assets	0
Non-patient care income generation schemes	0
NWSSP	0
Deferred income released to revenue	0
Contingent rental income from finance leases	0
Rental income from operating leases	0
Other income:	
Provision of laundry, pathology, payroll services	0
Accommodation and catering charges	0
Mortuary fees	0
Staff payments for use of cars	0
Business units	0
Scheme Pays Reimbursement Notional	0
Other	0
Total	42,777

Injury Cost Recovery (ICR) Scheme income is subject to a provision for impairment re personal injury claims

2021-22**%**

To reflect expected rates of collection ICR income is subject to a provision for impairment of:

0.00

5. Investment Revenue

30 December 2020

to

31 March 2022

Total

£000

Rental revenue :

PFI Finance lease income

planned

contingent

Other finance lease revenue

Interest revenue :

Bank accounts

Other loans and receivables

Impaired financial assets

Other financial assets

Total

0

0

0

(3)

0

0

0

(3)

6. Other gains and losses

£000

Gain/(loss) on disposal of property, plant and equipment

Gain/(loss) on disposal of intangible assets

Gain/(loss) on disposal of assets held for sale

Gain/(loss) on disposal of financial assets

Change on foreign exchange

Change in fair value of financial assets at fair value through SoCNE

Change in fair value of financial liabilities at fair value through SoCNE

Recycling of gain/(loss) from equity on disposal of financial assets held for sale

Total

0

0

0

0

0

0

0

0

0

7. Finance costs

£000

Interest on loans and overdrafts

Interest on obligations under finance leases

Interest on obligations under PFI contracts

main finance cost

contingent finance cost

Interest on late payment of commercial debt

Other interest expense

Total interest expense

Provisions unwinding of discount

Other finance costs

Total

0

0

0

0

0

0

0

0

0

0

8. Operating leases

SHA as lessee

As at 31st March 2022 DHCW had 11 operating leases agreements in place for the lease of premises, 13 arrangement in respect of equipment and 11 in respect of vehicles, with 2 equipment and 4 vehicle leases having expired in year.

	30 December 2020
	to
	31 March 2022
Payments recognised as an expense	Total
	£000
Minimum lease payments	2,296
Contingent rents	0
Sub-lease payments	0
Total	2,296
Total future minimum lease payments	
Payable	£000
Not later than one year	2,327
Between one and five years	2,950
After 5 years	267
Total	5,544

SHA as lessor

Rental revenue	£000
Rent	0
Contingent rents	0
Total revenue rental	0
Total future minimum lease payments	
Receivable	£000
Not later than one year	0
Between one and five years	0
After 5 years	0
Total	0

9. Employee benefits and staff numbers

9.1 Employee costs	Permanent Staff	Staff on Inward Secondment	Agency Staff	Specialist Trainee (SLE)	Other Staff	Total 2021-22
	£000	£000	£000	£000	£000	£000
Salaries and wages	35,121	253	486	0	0	35,860
Social security costs	3,678	0	0	0	0	3,678
Employer contributions to NHS Pension Scheme	6,467	0	0	0	0	6,467
Other pension costs	0	0	0	0	0	0
Other employment benefits	0	0	0	0	0	0
Termination benefits	0	0	0	0	0	0
Total Employee costs	45,266	253	486	0	0	46,005

No employee costs incurred prior to 1 April 2021 are included within this note as they were borne by Public Health Wales and Welsh Government.

Charged to capital	1,905
Charged to revenue	44,100
	46,005

Net movement in accrued employee benefits (untaken staff leave total accrual included in note above)	317
The net movement in accrued employee benefits footnote above includes Covid 19 Net movement in accrued employee benefits	(209)

9.2 Average number of employees

	Permanent Staff	Staff on Inward Secondment	Agency Staff	Specialist Trainee (SLE)	Other Staff	Total 2021-22
	Number	Number	Number	Number	Number	Number
Administrative, clerical and board members	878	4	8	0	0	890
Medical and dental	0	0	0	0	0	0
Nursing, midwifery registered	0	0	0	0	0	0
Professional, Scientific, and technical staff	0	0	0	0	0	0
Additional Clinical Services	0	0	0	0	0	0
Allied Health Professions	0	0	0	0	0	0
Healthcare Scientists	0	0	0	0	0	0
Estates and Ancillary	0	0	0	0	0	0
Students	0	0	0	0	0	0
Total	878	4	8	0	0	890

The average number of employees are calculated from 1 April 2021 to 31 March 2022 the period the organisation was operational.

9.3. Retirements due to ill-health

2021-22

Number	0
Estimated additional pension costs £	0

The estimated additional pension costs of these ill-health retirements have been calculated on an average basis and are borne by the NHS Pension Scheme.

9.4 Employee benefits

DHCW operates four salary sacrifice schemes (childcare vouchers, cycle to work, home electronics and lease cars) for the financial benefit of its employees. It also provides a purchase of annual leave scheme. In addition, staff have access to a non contributory Employee Assistance Programme which provides financial wellbeing support, and a financial wellbeing scheme to provide staff with access to simple financial education, salary deducted loans, and a range of savings and investment products.

9.6 Fair Pay disclosures

9.6.1 Remuneration Relationship

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director/employee in their organisation and the 25th percentile, median and 75th percentile remuneration of the organisation’s workforce. The 2021-22 financial year is the first year disclosures in respect of the 25th percentile pay ratio and 75th percentile pay ratio are

	2021-22 £000 Chief Executive	2021-22 £000 Employee	2021-22 £000 Ratio
Total pay and benefits			
25th percentile pay ratio	152.5	28.9	5.3:1
Median pay	152.5	38.4	4.0:1
75th percentile pay ratio	152.5	46.9	3.3:1
Salary component of total pay and benefits			
25th percentile pay ratio	152.5	27.8	5.5:1
Median pay	152.5	34.2	4.5:1
75th percentile pay ratio	152.5	45.8	3.3:1
	Highest Paid Director	Employee	Ratio
Total pay and benefits			
25th percentile pay ratio	157.5	28.9	5.4:1
Median pay	157.5	38.4	4.1:1
75th percentile pay ratio	157.5	46.9	3.4:1
Salary component of total pay and benefits			
25th percentile pay ratio	157.5	27.8	5.7:1
Median pay	157.5	34.2	4.6:1
75th percentile pay ratio	157.5	45.8	3.4:1

In the 2021-22, operational period 0 employees received remuneration in excess of the highest-paid director.

Remuneration for all staff ranged from £20,330 to £155,403.

The all staff range includes directors (including the highest paid director) and excludes pension benefits of all employees.

Financial year summary

The median pay ratio for the relevant financial year is consistent with the pay, reward and progression policies for the entity’s employees taken as a whole.

Prior year ratios are not available to enable any comparison.

9.7 Pension Costs

PENSION COSTS

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2022, is based on valuation data as 31 March 2021, updated to 31 March 2022 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6% of pensionable pay.

The 2016 funding valuation also tested the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. There was initially a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

HMT published valuation directions dated 7 October 2021 (see [Amending Directions 2021](#)) that set out the technical detail of how the costs of remedy are included in the 2016 valuation process. Following these directions, the scheme actuary has completed the cost control element of the 2016 valuation for the NHS Pension Scheme, which concludes no changes to benefits or member contributions are required. The 2016 valuation reports can be found on the

c) National Employment Savings Trust (NEST)

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

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

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

Using qualifying earnings to calculate contributions, currently the legal minimum level of contributions is 8% of a jobholder's qualifying earnings, for employers whose legal duties have started. The employer must pay at least 3% of this.

The earnings band used to calculate minimum contributions under existing legislation is called qualifying earnings. Qualifying earnings are currently those between £6,240 and £50,270 for the 2021-2022 tax year (2020-2021 £6,240 and £50,000).

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

10. Public Sector Payment Policy - Measure of Compliance

10.1 Prompt payment code - measure of compliance

The Welsh Government requires that the SHA pay all their trade creditors in accordance with the CBI prompt payment code and Government Accounting rules. The Welsh Government has set as part of the SHA financial targets a requirement to pay 95% of the number of non-NHS creditors within 30 days of delivery.

Payments made prior to DHCW becoming operational on 1 April 2021 were made by the predecessor organisations and are not included in the totals below.

	2021-22	2021-22
	Number	£000
NHS		
Total bills paid	450	5,727
Total bills paid within target	371	4,658
Percentage of bills paid within target	82.4%	81.3%
Non-NHS		
Total bills paid	2,995	83,024
Total bills paid within target	2,908	79,793
Percentage of bills paid within target	97.1%	96.1%
Total		
Total bills paid	3,445	88,751
Total bills paid within target	3,279	84,451
Percentage of bills paid within target	95.2%	95.2%

10.2 The Late Payment of Commercial Debts (Interest) Act 1998	30 December 2020
	to
	31 March 2022
	£
Amounts included within finance costs (note 7) from claims made under this legislation	0
Compensation paid to cover debt recovery costs under this legislation	0
Total	0

11. Property, plant and equipment

	Land £000	Buildings, excluding dwellings £000	Dwellings £000	Assets under construction & payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 30 Dec 2020	0	0	0	0	0	0	0	0	0
Cost or valuation at 31 March 2021	0	1,428	0	254	172	0	23,047	0	24,901
NWIS to DHCW Transfer Adjustment	0	0	0	0	0	0	0	0	0
Cost or valuation at 1 April 2021	0	1,428	0	254	172	0	23,047	0	24,901
Indexation	0	64	0	0	0	0	0	0	64
Additions									
- purchased	0	2	0	7,405	29	0	1,900	0	9,336
- donated	0	0	0	0	0	0	0	0	0
- government granted	0	0	0	0	0	0	0	0	0
Transfer from/into other organisations	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
At 31 March 2022	0	1,494	0	7,659	201	0	24,947	0	34,301
Depreciation at 30 December 2020	0	0	0	0	0	0	0	0	0
Depreciation at 31 March 2021	0	729	0	0	34	0	12,016	0	12,779
NWIS to DHCW Transfer Adjustment	0	0	0	0	0	0	0	0	0
Depreciation at 1 April 2021	0	729	0	0	34	0	12,016	0	12,779
Indexation	0	31	0	0	0	0	0	0	31
Transfer from/into other organisations	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Revaluations	0	0	0	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
Provided during the period	0	152	0	0	35	0	3,461	0	3,648
At 31 March 2022	0	912	0	0	69	0	15,477	0	16,458
Net book value at 1 April 2021	0	699	0	254	138	0	11,031	0	12,122
Net book value at 31 March 2022	0	582	0	7,659	132	0	9,470	0	17,843
Net book value at 31 March 2022 comprises :									
Purchased	0	582	0	7,659	132	0	9,470	0	17,843
Donated	0	0	0	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0	0	0	0
At 31 March 2022	0	582	0	7,659	132	0	9,470	0	17,843
Asset financing :									
Owned	0	582	0	7,659	132	0	9,470	0	17,843
Held on finance lease	0	0	0	0	0	0	0	0	0
On-SoFP PFI contracts	0	0	0	0	0	0	0	0	0
PFI residual interests	0	0	0	0	0	0	0	0	0
At 31 March 2022	0	582	0	7,659	132	0	9,470	0	17,843

The net book value of land, buildings and dwellings at 31 March 2022 comprises :

	£000
Freehold	0
Long Leasehold	0
Short Leasehold	582
	<u>582</u>

11. Property, plant and equipment (continued)

Additional disclosures re Property, Plant and Equipment

Disclosures:

i) Donated Assets

DHCW has not received any donated assets during the year.

ii) Valuations

The SHAs land and Buildings were revalued by the Valuation Office Agency with an effective date of 1st April 2017. The valuation has been prepared in accordance with the terms of the latest version of the Royal Institute of Chartered Surveyors' Valuation Standards.

The SHA is required to apply the revaluation model set out in IAS 16 and value its capital assets to fair value. Fair value is defined by IAS 16 as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arms length transaction. This has been undertaken on the assumption that the property is sold as part of the continuing enterprise in operation.

iii) Asset Lives

Depreciated as follows:

- Land is not depreciated.
- Buildings as determined by the Valuation Office Agency.
- Equipment 5-15 years.

iv) Compensation

There has been no compensation received from third parties for assets impaired, lost or given up, that is included in the income statement.

v) Write Downs

There have not been any write downs.

vi) DHCW does not hold any property where the value is materially different from its open market value.

vii) Assets Held for Sale or sold in the period.

There are no assets held for sale or sold in the period.

11. Property, plant and equipment

11.2 Non-current assets held for sale

	Land	Buildings, including dwelling	Other property, plant and equipment	Intangible assets	Other assets	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2021	0	0	0	0	0	0
Plus assets classified as held for sale in the period	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0
Less assets sold in the period	0	0	0	0	0	0
Add reversal of impairment of assets held for sale	0	0	0	0	0	0
Less impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	0	0	0	0	0	0
Balance carried forward 31 March 2022	0	0	0	0	0	0

Assets sold in the period

There were no assets sold in the period.

Assets classified as held for sale during the period

No assets were classified as held for sale during 2021-22

12. Intangible non-current assets

2021-22

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 30 December 2020	0	0	0	0	0	0
Cost or valuation at 31 March 2021	40,594	4,035	0	0	0	44,629
NWIS to DHCW Transfer Adjustment			0	0	0	0
Cost or valuation at 1 April 2021	40,594	4,035	0	0	0	44,629
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Additions- purchased	884	743	0	0	0	1,627
Additions- internally generated	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Gross cost at 31 March 2022	41,478	4,778	0	0	0	46,256
Amortisation at 30 December 2020	0	0	0	0	0	0
Amortisation at 31 March 2021	27,350	1,528	0	0	0	28,878
NWIS to DHCW Transfer Adjustment	0	0	0	0	0	0
Amortisation at 1 April 2021	27,350	1,528	0	0	0	28,878
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Provided during the period	4,422	866	0	0	0	5,288
Reclassified as held for sale	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Amortisation at 31 March 2022	31,772	2,394	0	0	0	34,166
Net book value at 1 April 2021	13,244	2,507	0	0	0	15,751
Net book value at 31 March 2022	9,706	2,384	0	0	0	12,090
At 31 March 2022						
Purchased	0	0	0	0	0	0
Donated	0	0	0	0	0	0
Government Granted	0	0	0	0	0	0
Internally generated	0	0	0	0	0	0
Total at 31 March 2022	0	0	0	0	0	0

13 . Impairments

	30 December 2020 to 31 March 2022	
	Property, plant & equipment £000	Intangible assets £000
Impairments arising from :		
Loss or damage from normal operations	0	0
Abandonment in the course of construction	0	0
Over specification of assets (Gold Plating)	0	0
Loss as a result of a catastrophe	0	0
Unforeseen obsolescence	0	0
Changes in market price	0	0
Others (specify)	0	0
Reversal of impairments	0	0
Total of all impairments	0	0
Analysis of impairments charged to reserves in period :		
Charged to the Statement of Comprehensive Net Expenditure	0	0
Charged to Revaluation Reserve	0	0

14.1 Inventories	30 December 2020
	to
	31 March 2022
	£000
Drugs	0
Consumables	0
Energy	0
Work in progress	0
Other	0
Total	0
Of which held at realisable value	0

14.2 Inventories recognised in expenses	30 December 2020
	to
	31 March 2022
	£000
Inventories recognised as an expense in the period	0
Write-down of inventories (including losses)	0
Reversal of write-downs that reduced the expense	0
Total	0

Only stock which has been resold to other parties is included in this note.
Contained within total above:
Stock which has been resold to other parties 0
Covid Stock 0

15. Trade and other Receivables

Current	As at 31 March 2022 £000
Welsh Government	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	2
Welsh Health Boards	645
Welsh NHS Trusts	213
Welsh Special Health Authorities	6
Non - Welsh Trusts	276
Other NHS	8
2019-20 Scheme Pays - Welsh Government Reimbursement	0
Welsh Risk Pool Claim Reimbursement;	
NHS Wales Secondary Health Sector	0
NHS Wales Primary Sector FLS Reimbursement	0
NHS Wales Redress	0
Other	0
Local Authorities	40
Capital debtors - Tangibles	62
Capital debtors - Intangibles	1,113
Other debtors	0
Provision for irrecoverable debts	0
Pension Prepayments NHS Pensions	0
Other prepayments	11,342
Other accrued income	0
Sub total	13,707
Non-current	
Welsh Government	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0
Welsh Health Boards	0
Welsh NHS Trusts	0
Welsh Special Health Authorities	0
Non - Welsh Trusts	0
Other NHS	0
2019-20 Scheme Pays - Welsh Government Reimbursement	0
Welsh Risk Pool Claim Reimbursement;	
NHS Wales Secondary Health Sector	0
NHS Wales Primary Sector FLS Reimbursement	0
NHS Wales Redress	0
Other	0
Local Authorities	0
Capital debtors - Tangibles	0
Capital debtors - Intangibles	0
Other debtors	0
Provision for irrecoverable debts	0
Pension Prepayments NHS Pensions	0
Other prepayments	371
Other accrued income	0
Sub total	371
Total	14,078

15. Trade and other Receivables

	As at 31 March 2022 £000
Receivables past their due date but not impaired	
By up to three months	347
By three to six months	41
By more than six months	47
	<u>435</u>

No debtors past due (but not impaired) are greater than six months old.

Expected Credit Losses (ECL) previously Allowance for bad and doubtful debts

Balance at 30 December 2020	0
Balance at 1 April	0
Transfer to other NHS Wales body	0
Amount written off during the period	0
Amount recovered during the period	0
(Increase) / decrease in receivables impaired	0
ECL/Bad debts recovered during period	0
Balance at 31 March	<u>0</u>

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

Receivables VAT

Trade receivables	114
Other	0
Total	<u>114</u>

16. Other Financial Assets

	Current	Non-current
	As at	
	31 March 2022	
	£000	£000
Financial assets		
Shares and equity type investments		
Held to maturity investments at amortised costs	0	0
At fair value through SOCNE	0	0
Available for sale at FV	0	0
Deposits	0	0
Loans	0	0
Derivatives	0	0
Other (Specify)		
Held to maturity investments at amortised costs	0	0
At fair value through SOCNE	0	0
Available for sale at FV	0	0
Total	0	0

17. Cash and cash equivalents

	£000
Opening balance 30 December 2020	0
NWIS to DHCW Transfer Adjustment	0
Opening Balance 1 April 2021	0
Net change in cash and cash equivalent balances	1,546
Balance at 31 March 2022	1,546
Made up of:	
Cash held at Government Banking Service (GBS)	1,546
Commercial banks	0
Cash in hand	0
Cash and cash equivalents as in Statement of Financial Position	1,546
Bank overdraft - GBS	0
Bank overdraft - Commercial banks	0
Cash and cash equivalents as in Statement of Cash Flows	1,546

In response to the IAS 7 requirement for additional disclosure, the changes in liabilities arising for financing activities are;

Lease Liabilities £0k
PFI liabilities £0k

The movement relates to cash, no comparative information is required by IAS 7 in 2021-22.

18. Trade and other payables

	As at 31 March 2022	31 March 2021
Current	£000	£000
Welsh Government	51	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0	0
Welsh Health Boards	1,413	0
Welsh NHS Trusts	115	0
Welsh Special Health Authorities	0	0
Other NHS	38	0
Taxation and social security payable / refunds	382	0
Refunds of taxation by HMRC	(8)	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	0	0
NI contributions payable to HMRC	581	0
Non-NHS trade payables - revenue	2,558	0
Local Authorities	1	0
Capital payables-Tangible	525	0
Capital payables- Intangible	2,332	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	0	0
Imputed finance lease element of on SoFP PFI contracts	0	0
Pensions: staff	697	0
Non NHS Accruals	6,991	0
Deferred Income:		
Deferred Income brought forward	0	0
Deferred Income Additions	0	0
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	0	0
Other creditors	1	0
PFI assets –deferred credits	0	0
Payments on account	0	0
Sub total	15,677	0
Non-current		
Welsh Government	0	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0	0
Welsh Health Boards	0	0
Welsh NHS Trusts	0	0
Welsh Special Health Authorities	0	0
Other NHS	0	0
Taxation and social security payable / refunds	0	0
Refunds of taxation by HMRC	0	0
VAT payable to HMRC	0	0
Other taxes payable to HMRC	0	0
NI contributions payable to HMRC	0	0
Non-NHS trade payables - revenue	0	0
Local Authorities	0	0
Capital Creditors- Tangible	0	0
Capital Creditors- Intangible	0	0
Overdraft	0	0
Rentals due under operating leases	0	0
Obligations under finance leases, HP contracts	0	0
Imputed finance lease element of on SoFP PFI contracts	0	0
Pensions: staff	0	0
Non NHS Accruals	0	0
Deferred Income :		
Deferred Income brought forward	0	0
Deferred Income Additions	0	0
Transfer to / from current/non current deferred income	0	0
Released to SoCNE	0	0
Other creditors	0	0
PFI assets –deferred credits	0	0
Payments on account	0	0
Sub total	0	0
Total	15,677	0

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

18. Trade and other payables (continued)

Amounts falling due more than one year are expected to be settled as follows:

	£000
Between one and two years	0
Between two and five years	0
In five years or more	0
Sub-total	<u>0</u>

19. Other financial liabilities

Financial liabilities	Current	Non-current
	As at	
	31 March 2022	
	£000	£000
Financial Guarantees:		
At amortised cost	0	0
At fair value through SoCNE	0	0
Derivatives at fair value through SoCNE	0	0
Other:		
At amortised cost	0	0
At fair value through SoCNE	0	0
Total	<u>0</u>	<u>0</u>

20. Provisions

	At 30 Dec 2020	At 1 April 2021	Transfer of provisions to creditors	Transfer between current and non-current	Arising during the period	Utilised during the period	Reversed unused	Unwinding of discount	At 31 March 2022
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Current									
Clinical negligence:-									
Secondary care	0	0	0	0	0	0	0	0	0
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	0	0	0	0	0	0	0	0	0
Redress Primary care	0	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	0	0	0	0	0	0			0
Pensions relating to former directors	0	0		0	0	0	0	0	0
Pensions relating to other staff	0	0		0	0	0	0	0	0
2019-20 Scheme Pays - Reimbursement	0	0		0	0	0	0	0	0
Restructuring	0	0		0	0	0	0	0	0
Other	0	0	0	0	267	0	0		267
Total	0	0	0	0	267	0	0	0	267
Non Current									
Clinical negligence:-									
Secondary care	0	0	0	0	0	0	0	0	0
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	0	0	0	0	0	0	0	0	0
Redress Primary care	0	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	0	0	0	0	0	0			0
Pensions relating to former directors	0	0		0	0	0	0	0	0
Pensions relating to other staff	0	0		0	0	0	0	0	0
2019-20 Scheme Pays - Reimbursement	0	0		0	0	0	0	0	0
Restructuring	0	0		0	0	0	0	0	0
Other	0	0	0	0	0	0			0
Total	0	0	0	0	0	0	0	0	0
TOTAL									
Clinical negligence:-									
Secondary care	0	0	0	0	0	0	0	0	0
Primary care	0	0	0	0	0	0	0	0	0
Redress Secondary care	0	0	0	0	0	0	0	0	0
Redress Primary care	0	0	0	0	0	0	0	0	0
Personal injury	0	0	0	0	0	0	0	0	0
All other losses and special payments	0	0	0	0	0	0	0	0	0
Defence legal fees and other administration	0	0	0	0	0	0			0
Pensions relating to former directors	0	0		0	0	0	0	0	0
Pensions relating to other staff	0	0		0	0	0	0	0	0
2019-20 Scheme Pays - Reimbursement	0	0		0	0	0	0	0	0
Restructuring	0	0		0	0	0	0	0	0
Other	0	0	0	0	267	0	0		267
Total	0	0	0	0	267	0	0	0	267

Expected timing of cash flows:

	in year to 31 March 2023	Between 1 April 2023 31 March 2027	Thereafter	Total
	£000	£000	£000	£000
Clinical negligence:-				
Secondary care	0	0	0	0
Primary care	0	0	0	0
Redress Secondary care	0	0	0	0
Redress Primary care	0	0	0	0
Personal injury	0	0	0	0
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	0	0	0	0
Pensions relating to former directors	0	0	0	0
Pensions relating to other staff	0	0	0	0
2019-20 Scheme Pays - Reimbursement	0	0	0	0
Restructuring	0	0	0	0
Other	267	0	0	267
Total	267	0	0	267

The provision of £267k held on the balance sheet at 31st March 2022 reflects ongoing contract price negotiations related to software services delivered.

21. Contingencies

21.1 Contingent liabilities

As at
31 March 2022
£'000

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

Legal claims for alleged medical or employer negligence	
Secondary Care	0
Primary Care	0
Secondary Care Redress	0
Primary Care Redress	0
Doubtful debts	0
Equal Pay costs	0
Defence costs	0
Continuing Health Care costs	0
Other	0
Total value of disputed claims	<u>0</u>
Amounts recovered in the event of claims being successful	0
Net contingent liability	<u><u>0</u></u>

	As at 31 March 2022 £'000
21.2 Remote Contingent liabilities	
Please disclose the values of the following categories of remote contingent liabilities :	
Guarantees	0
Indemnities	0
Letters of Comfort	0
Total	0

	As at 31 March 2022 £'000
21.3 Contingent assets	
	0
	0
	0
Total	0

22. Capital commitments

	As at 31 March 2022 £'000
Contracted capital commitments	
Property, plant and equipment	27
Intangible assets	5,667
Total	5,694

23. Losses and special payments

Losses and special payments are charged to the Statement of Comprehensive Net Expenditure 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 during the financial year

	Amounts paid out during period to 31 March 2022	
	Number	£
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	2	1,173
Total	2	1,173

Analysis of cases in excess of £300,000

	Case Type	In year claims in excess of £300,000		Cumulative claims in excess of £300,000	
		Number	£	Number	£
Cases in excess of £300,000:	5	1	1,158	1	1,158
Sub-total		1	1,158	1	1,158
All other cases		1	15	0	0
Total cases		2	1,173	1	1,158

24. Finance leases

24.1 Finance leases obligations (as lessee)

DHCW has no finance lease obligations as lessee.

Amounts payable under finance leases:

Land	As at 31 March 2022 £000
Minimum lease payments	
Within one year	0
Between one and five years	0
After five years	0
Less finance charges allocated to future periods	0
Minimum lease payments	<u>0</u>
Included in:	
Current borrowings	0
Non-current borrowings	<u>0</u>
Present value of minimum lease payments	
Within one year	0
Between one and five years	0
After five years	0
Present value of minimum lease payments	<u>0</u>
Included in:	
Current borrowings	0
Non-current borrowings	<u>0</u>

24.1 Finance leases obligations (as lessee) continue**Amounts payable under finance leases:****Buildings****As at
31 March 2022****Minimum lease payments****£000**

Within one year	0
Between one and five years	0
After five years	0
Less finance charges allocated to future periods	0
Minimum lease payments	0

Included in:

Current borrowings	0
Non-current borrowings	0
	0

Present value of minimum lease payments

Within one year	0
Between one and five years	0
After five years	0
Present value of minimum lease payments	0

Included in:

Current borrowings	0
Non-current borrowings	0
	0

Other**As at
31 March 2022****Minimum lease payments****£000**

Within one year	0
Between one and five years	0
After five years	0
Less finance charges allocated to future periods	0
Minimum lease payments	0

Included in:

Current borrowings	0
Non-current borrowings	0
	0

Present value of minimum lease payments

Within one year	0
Between one and five years	0
After five years	0
Present value of minimum lease payments	0

Included in:

Current borrowings	0
Non-current borrowings	0
	0

24.2 Finance leases obligations (as lessor) continued

The SHA has no finance leases receivable as a lessor.

Amounts receivable under finance leases:

	As at 31 March 2022
	£000
Gross Investment in leases	
Within one year	0
Between one and five years	0
After five years	0
Less finance charges allocated to future periods	0
Minimum lease payments	0
Included in:	
Current borrowings	0
Non-current borrowings	0
	0
Present value of minimum lease payments	
Within one year	0
Between one and five years	0
After five years	0
Less finance charges allocated to future periods	0
Present value of minimum lease payments	0
Included in:	
Current borrowings	0
Non-current borrowings	0
	0

25. Private Finance Initiative contracts

25.1 PFI schemes off-Statement of Financial Position

DHCW has no PFI schemes which are deemed to be on or off the statement of financial position.

26. 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 DHCW is 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. DHCW has 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 DHCW in undertaking its activities.

Currency risk

DHCW is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and Sterling based. DHCW has no overseas operations and therefore has low exposure to currency rate fluctuations.

Interest rate risk

DHCW is not permitted to borrow. DHCW therefore has low exposure to interest rate fluctuations

Credit risk

Because the majority of the DHCW funding derives from funds voted by the Welsh Government DHCW has low exposure to credit risk.

Liquidity risk

DHCW is 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. DHCW is not, therefore, exposed to significant liquidity risks.

27. Movements in working capital

	30 December 2020 to 31 March 2022 £000
(Increase)/decrease in inventories	0
(Increase)/decrease in trade and other receivables - non-current	(371)
(Increase)/decrease in trade and other receivables - current	(13,707)
Increase/(decrease) in trade and other payables - non-current	0
Increase/(decrease) in trade and other payables - current	15,677
Total	1,599
Adjustment for accrual movements in fixed assets - creditors	(525)
Adjustment for accrual movements in fixed assets - debtors	62
Other adjustments	0
	1,136

28. Other cash flow adjustments

	30 December 2020 to 31 March 2022 £000
Depreciation	3,648
Amortisation	5,288
(Gains)/Loss on Disposal	0
Impairments and reversals	0
Release of PFI deferred credits	0
Donated assets received credited to revenue but non-cash	0
Government Grant assets received credited to revenue but non-cash	0
Non-cash movements in provisions	267
Other movements	11,834
Total	21,037

29. Events after the Reporting Period

These financial statements were authorised for issue by the Chief Executive and Accountable Officer on xx xxx 2022; post the date the financial statements were certified by the Auditor General for Wales

30. Related Party Transactions

The Welsh Government is regarded as a related party. During the accounting period the DHCW has had a significant number of material transactions with the Welsh Government and with other entities for which the Welsh Government is regarded as the parent body:

Related Party	Expenditure to related party £000	Income from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Welsh Government	396	139,755	51	0
Aneurin Bevan	1,091	5,208	231	194
Betsi Cadwaladr LHB	815	6,579	356	0
Cardiff and Vale	681	3,253	238	129
Cwm Taf Morgannwg	742	4,271	19	14
Hywel Dda	715	4,213	208	94
Powys	516	1,369	217	96
Swansea Bay	682	1,313	216	117
Public Health Wales	323	2,301	45	72
Velindre	299	2,594	86	169
Welsh Ambulance Services	208	758	8	35
HEIW	742	4,271	19	14
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0	202	0	2
Local Authorities	460	1,533	1	41
	7,670	177,620	1,695	977

Related party transaction where Board Members have declared an interest (See notes below for details of relationships):

	Expenditure to related party £000	Income from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Welsh Government (Included in above figures)	1,091	5,208	231	194
Hywel Dda (Included in above figures)	715	4,213	208	94
Bangor University	11	0	0	0
	17,157	364,661	3,829	2,242

Grace Quantock, Independent Member, is a Senior Independent Panel Member at Welsh Government.
Ruth Glazzard, Vice Chair, has a close relationship with an employee at Hywel Dda,
Marian Wyn Jones, Independent Member, is the Chair of Council at Bangor University.

31. Third Party assets

DHCW does not hold cash on behalf of third parties.

32. Pooled budgets

DHCW does not does not operate any pooled budgets.

33. Operating segments

IFRS 8 requires bodies to report information about each of its operating segments.

DHCW is deemed to operate as one segment.

34. Other Information**34.1. 6.3% Staff Employer Pension Contributions - Notional Element**

The notional transactions are based on estimated costs for the twelve month operational period, calculated from actual Welsh Government expenditure for the 6.3% staff employer pension contributions as at month eleven and the actual employer staff payments for month 12. Transactions include notional expenditure in relation to the 6.3% paid to NHS BSA by Welsh Government and notional funding to cover that expenditure as follows:

Statement of Comprehensive Net Expenditure for the period ended 31 March 2022	2021-22 £000
General Medical Services	0
Other Operating Expenditure	0

**Statement of Changes in Taxpayers' Equity
For the period ended 31 March 2022**

Net operating cost for the year	(2,022)
Notional Welsh Government Funding	2,002

Statement of Cash Flows for period ended 31 March 2022

	31 March 2022
Net operating cost for the financial year	
Other cash flow adjustments	2,002

2.1 Revenue Resource Performance

Revenue Resource Allocation	2,002
-----------------------------	-------

3. Analysis of gross operating costs	2021-22
3.1 General Medical Services	£000
General Medical Services	0
3.2 Other Operating Expenditure	
Directors' costs	45
Staff costs	1,957

9.1 Employee costs

Permanent Staff	
Employer contributions to NHS Pension Scheme	2,002
Charged to capital	0
Charged to revenue	2,002

18. Trade and other payables

Current	
Pensions: staff	0

28. Other cash flow adjustments

Other movements	2,002
-----------------	-------

34.2 Other Information

Welsh Government Covid 19 Funding

Details of Covid 19 Pandemic Welsh Government funding amounts provided to DHCW during the operational period:

	2021-22 £000
Capital	
Capital Funding Field Hospitals and Equipment	
Capital Funding Equipment	0
Capital Funding other (Specify)	865
Welsh Government Covid 19 Capital Funding	865
Revenue	
Sustainability Funding	
C-19 Pay Costs Q1 (Future Quarters covered by SF)	
Field Hospital (Set Up Costs, Decommissioning & Consequential losses)	
Bonus Payment	
Independent Health Sector	
Stability Funding	0
Covid Recovery	0
Cleaning Standards	0
PPE (including All Wales Equipment via NWSSP)	0
Testing / TTP- Testing & Sampling - Pay & Non Pay	5942
Tracing / TTP - NHS & LA Tracing - Pay & Non Pay	0
Extended Flu Vaccination / Vaccination - Extended Flu Programme	0
Mass Covid-19 Vaccination / Vaccination - COVID-19	5550
Annual Leave Accrual - Increase due to Covid	0
Urgent & Emergency Care	0
Private Providers Adult Care / Support for Adult Social Care Providers	0
Hospices	0
Other Mental Health / Mental Health	0
Other Primary Care	0
Social Care	0
Other	0
Welsh Government Covid 19 Revenue Funding	11492

Other Category includes - STI (New WBS to be set up)

34. Other Information

34.3. Changes to accounting standards not yet effective - IFRS 16 Impact

IFRS 16 Leases supersedes IAS 17 Leases and is effective in the public sector from 1 April 2022. IFRS 16 provides a single lessee accounting model and requires a lessee to recognise right-of-use assets and liabilities for leases with a term more than 12 months unless the underlying value is of low value. The FReM makes two public sector adaptations

- The definition of a contract is expanded to include intra UK government agreements that are not legally enforceable;
- The definition of a contract is expanded to included agreements that have nil consideration.

IFRS 16 gives a narrower definition of a lease than IAS 17 and IFRIC 4 by requiring that assets and liabilities will be recognised initially at the discounted value of minimum lease payments. After initial recognition, right of use assets will be depreciated on a straight line basis and interest recognised on the liabilities. Except where modified for revaluation where material, the cost model will be applied to assets other than peppercorn leases which will be measured on a depreciated replacement cost basis. The right of use asset in a peppercorn lease is accounted for similarly to a donated asset.

As required by the FReM IFRS 16 will be implemented using the accumulated catch up method.

The right of use assets and leasing obligation have been calculated and indicated that the total discounted value of right of use assets and liabilities under IFRS 16 is lower than the value of minimum lease commitments under IAS 17 because of the discount factor. The impact of implementation is an

- increase/decrease in expenditure £22k;
- increase/decrease in assets and liabilities of £26k.

These figures are calculated before intercompany eliminations are made, these will/will not have a material impact on the figures.

Right of Use (RoU) Assets Impact

	Property £000	Non Property £000	Total £000
Statement of financial Position			
RoU Asset Recognition			
+ Transitioning Adjust	1,274	3,141	4,415
+ As at 1 April 2022	1,274	3,141	4,415
+ Renewal / New RoU Assets 2022-23			0
- Less (Depreciation)	(377)	(1,486)	(1,863)
+ As at 31 March	897	1,655	2,552
RoU Asset Liability			
	Property £000	Non Property £000	Total £000
- Transitioning Adjust	(1,397)	(2,992)	(4,389)
- As at 1 April 2022	(1,397)	(2,992)	(4,389)
- Renewal / New RoU Liability 2022-23			0
+ Working Capital	449	1,463	1,912
- Interest	(49)	(22)	(71)
- As at 31 March	(997)	(1,551)	(2,548)
Charges			
	Property £000	Non Property £000	Total £000
Expenditure			
RoU Asset depreciation ⁽¹⁾	377	1,486	1,863
Interest on obligations under RoU Asset leases	49	22	71
	426	1,508	1,934

SHA

- 1 Other Operating Expenditure
- 2 Finance Costs

**THE NATIONAL HEALTH SERVICE IN WALES ACCOUNTS DIRECTION GIVEN BY
WELSH MINISTERS IN ACCORDANCE WITH PARAGRAPH 3(1) OF SCHEDULE 9 TO
THE NATIONAL HEALTH SERVICE (WALES) ACT 2006 (C.42) AND WITH THE
APPROVAL OF TREASURY**

DIGITAL HEALTH AND CARE WALES

1. Digital Health and Care Wales (DHCW), a special health authority, shall prepare accounts for the financial period 30th December 2020 to 31st March 2022 and subsequent financial years in the form specified in paragraphs 2 to 4 below.

BASIS OF PREPARATION

2. The accounts of DHCW shall comply with:

(a) the accounting principles and disclosure requirements of the Government Financial Reporting Manual ('the FReM') issued by HM Treasury which is in force for that financial year, as detailed in the NHS Wales Manual for Accounts; and

(b) any other specific guidance or disclosures required by the Welsh Government.

3. The accounts shall be prepared so as to:

(a) give a true and fair view of the state of affairs as at the year-end and of the net expenditure, financial position, cash flows and changes in taxpayers' equity for the financial year then ended; and

(b) provide disclosure of any material expenditure or income that has not been applied to the purposes intended by the Senedd Cymru - Welsh Parliament or material transactions that have not conformed to the authorities which govern them.

4. Compliance with the requirements of the FReM as detailed in the NHS Wales Manual for Accounts will, in all but exceptional circumstances, be necessary for the accounts to give a true and fair view. If, in these exceptional circumstances, compliance with the requirements of the FReM as detailed in the NHS Wales Manual for Accounts is inconsistent with the requirement to give a true and fair view, the requirements of the FReM as detailed in the NHS Wales Manual for Accounts should be departed from only to the extent necessary to give a true and fair view. In such cases, informed and unbiased judgment should be used to devise an appropriate alternative treatment which should be consistent both with the economic characteristics of the circumstances concerned and the spirit of the FReM. Any material departure from the FReM should be discussed in the first instance with the Welsh Government.

Signed by the authority of the Welsh Ministers

Signed:

Dated: 18/01/2022

Steve Elliot, Interim Director of Finance HSS



CONTENTS

- OBJECTIVES
- ACCOUNTS CONTEXT
- FINANCIAL STATEMENTS
- NOTE TO THE ACCOUNTS
- ANNUAL REPORT
- POINTS OF NOTE
- AUDIT & CONTROL

Board Development Session

Annual Accounts Awareness

DIGITAL HEALTH AND CARE **WALES**



REPORT

OBJECTIVES OF THE SESSION

1. Reminder of the Statutory duties of the DHCW Board
2. Familiarisation and walk-through of the Annual Accounts financial statements and notes
3. Identify publicly reported financial information in relation to Board Members
4. Timetable for completion of Annual Report and Accounts
5. External assurance processes
6. Response to queries and questions you may have
7. You feel informed to sign off the accounts in the May Board meeting



ACCOUNTS CONTEXT

- Accounts Direction
- DHCW Financial Duties
- Statutory Background
- Accounting Classification

ACCOUNTS DIRECTION

Requires DHCW to prepare accounts for the financial period **30th December 2020 to 31st March 2022.**

The accounts of DHCW shall comply with:

- the accounting principles and disclosure requirements of the Government Financial Reporting Manual ('the FReM') issued by HM Treasury which is in force for that financial year, as detailed in the NHS Wales Manual for Accounts; and
- The accounts shall be prepared so as to:
 - **give a true and fair view of the state of affairs as at the year-end and of the net expenditure,** financial position, cash flows and changes in taxpayers' equity for the financial year then ended; and
 - provide disclosure of any **material expenditure or income that has not been applied to the purposes intended by the Senedd Cymru** - Welsh Parliament or material transactions that have not conformed to the authorities which govern them.

STATUTORY BACKGROUND

DHCW operated in a shadow form until 1 April 2021 with all establishment and set up costs being borne by the Welsh Government, and Public Health Wales NHS Trust. The predecessor body NHS Wales Informatics Services (NWIS) hosted by Velindre University NHS Trust delivered operational activity to 31st March 2021.

On 1st April staff were transferred into DHCW and the organisation became fully operational.

These accounts, whilst covering the period 30th December 2020 to 31st March 2022, present the accounting transactions only for the period of live operation from 1st April 2021 to 31st March 2022.

SHA STATUTORY FINANCIAL DUTY

Statutory Financial Duties – First Financial Duty

- ☐ Remain within Revenue Funding Envelope – met (£0.366m underspend)
- ☐ Remain within Capital Funding Envelope (Capital Resource Limit)– met (£0.010m underspend)

SHA Administrative Financial Duties – Second Financial Duty - To prepare a plan and for that plan to be submitted to Welsh Government.

Other Targets

- ☐ Public Sector Payment Policy – 97% (95%)
- ☐ Effective Cash Management - £1.5m (£2m maximum)

ACCOUNTING CLASSIFICATION

DHCW Accounts will present transactions covering two expenditure classifications

Capital- This is the money an organisation or corporate entity spends to buy, maintain, or improve its fixed assets, such as buildings, vehicles, equipment, or land. It is considered a capital expenditure when the asset is newly purchased or when money is used towards extending the useful life of an existing asset.

Revenue- Revenue cost reflects expenses incurred during the period, arising from ordinary operating activities of DHCW.



FINANCIAL STATEMENTS

- Key Financial Statements Overview
- Statement of Comprehensive Net Expenditure
- Other Comprehensive Net Expenditure
- Statement of Financial Position as at 31 March 2022
- Statement of Changes in Taxpayers' Equity
- Statement of Cash Flows for period ended 31 March 2022

FINANCIAL STATEMENTS

The Annual Accounts consist of 5 Key summary statements accompanied by 53 pages of published accounting notes and numerous off submission file notes, source documents and reconciliations.

Summary Statements comprise of:

1. Statement of Comprehensive Net Expenditure
2. Other Comprehensive Net Expenditure
3. Statement of Financial Position as at 31 March 2022
4. Statement of Changes in Taxpayers' Equity
5. Statement of Cash Flows for period ended 31 March 2022

We will review each in turn

1: STATEMENT OF COMPREHENSIVE NET EXPENDITURE

Digital Health and Care Wales SPECIAL HEALTH AUTHORITY (DHCW SHA) ACCOUNTS 2021-22

Statement of Comprehensive Net Expenditure for the period ended 31 March 2022

	Note	30 December 2020 to 31 March 2022 £000
General Medical Services	3.1	17,654
Other Operating Expenditure	3.2	113,048
		<u>130,702</u>
Less: Miscellaneous Income	4	<u>(42,777)</u>
Net operating costs before interest and other gains and losses		87,925
Investment Revenue	5	(3)
Other (Gains) / Losses	6	0
Finance costs	7	<u>0</u>
Net operating costs for the financial period		<u>87,922</u>

The Statement of Comprehensive Net Expenditure (SoCNE) summarises, on an accruals basis, DHCW's net operating costs.

The relevant standard is IAS1 Presentation of Financial Statements..

It should be noted that " Miscellaneous Income" includes NHS income from Trusts and Health Boards.

£3k relates to bank interest benefit

2: OTHER COMPREHENSIVE NET EXPENDITURE

Digital Health and Care Wales SPECIAL HEALTH AUTHORITY (DHCW
SHA) ACCOUNTS 2021-22

Other Comprehensive Net Expenditure	30 December 2020 to 31 March 2022 £000
Net gain / (loss) on revaluation of property, plant and equipment	-
Net gain / (loss) on revaluation of intangibles	-
(Gain) / loss on other reserves	-
Net gain / (loss) on revaluation of available for sale financial assets	-
Impairment and reversals	-
Other comprehensive net expenditure for the period	-
Total comprehensive net expenditure for the period	87,922

This reports as a primary statement a summary of reserve movements in year and when added to the Statement of Comprehensive Net Expenditure provides an analysis of the total movements on Taxpayers equity in the year to summarise the full activity.

"Release of reserves to the Statement of Comprehensive Net Expenditure". This line shows transfers that are required where earlier revaluation gains have been taken to the revaluation reserve such as the disposal of available for sale assets.

3: STATEMENT OF FINANCIAL POSITION

Digital Health and Care Wales SPECIAL HEALTH AUTHORITY (DHCW SHA) ACCOUNTS 2021-22

Statement of Financial Position as at 31 March 2022

	Notes	31 March 2022 £'000
Non-current assets		
Property, plant and equipment	11	17,843
Intangible assets	12	12,090
Trade and other receivables	15	371
Other financial assets	16	0
Total non-current assets		30,304
Current assets		
Inventories	14	0
Trade and other receivables	15	13,707
Other financial assets	16	0
Cash and cash equivalents	17	1,546
		15,253
Non-current assets classified as "Held for Sale"	11	0
Total current assets		15,253
Total assets		45,557
Current liabilities		
Trade and other payables	18	(15,677)
Other financial liabilities	19	0
Provisions	20	(267)
Total current liabilities		(15,944)
Net current assets/ (liabilities)		(691)
Non-current liabilities		
Trade and other payables	18	0
Other financial liabilities	19	0
Provisions	20	0
Total non-current liabilities		0
Total assets employed		29,613
Financed by :		
Taxpayers' equity		
General Fund		29,580
Revaluation reserve		33
Total taxpayers' equity		29,613

This statement is what is commonly known as the Balance sheet which presents organisational assets and liabilities.

Highlighted are 3 areas we will explore further within the notes, namely:

- Intangible Assets
- Trade & Other Receivables
- Trade & Other Payables

4: STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

Digital Health and Care Wales SPECIAL HEALTH AUTHORITY (DHCW SHA)
ACCOUNTS 2021-22
Statement of Changes in Taxpayers' Equity
For the period ended 31 March 2022

	General Fund £000	Revaluation Reserve £000	Total Reserves £000
Changes in taxpayers' equity			
Balance at 30 December 2020	0	0	0
Transfer adjustment NWIS to DHCW	37,705	0	37,705
Balance at 1 April 2021	37,705	0	37,705
Net operating cost for the period	(87,922)		(87,922)
Net gain/(loss) on revaluation of property, plant and equipment	0	33	33
Net gain/(loss) on revaluation of intangible assets	0	0	0
Net gain/(loss) on revaluation of financial assets	0	0	0
Net gain/(loss) on revaluation of assets held for sale	0	0	0
Impairments and reversals	0	0	0
Other reserve movement	0	0	0
Transfers between reserves	0	0	0
Release of reserves to SoCNE	0	0	0
Transfers to/from (please specify)	0	0	0
Total recognised income and expense for period	(87,922)	33	(87,889)
Net Welsh Government funding	77,795		77,795
Welsh Government notional funding	2,002		2,002
Balance at 31 March 2022	29,580	33	29,613

This Statement is now required under IAS 1, interpreted to include figures for net operating cost for the year and net Welsh Government funding for the year.

The figures reflect opening balances transferred from Velindre NHS Trust and movements in reserves.

5: STATEMENT OF CASH FLOWS

Digital Health and Care Wales SPECIAL HEALTH AUTHORITY (DHCW SHA) ACCOUNTS 2021-22**Statement of Cash Flows for period ended 31 March 2022**

	30 December 2020 to 31 March 2022 £000
Cash Flows from operating activities	notes
Net operating cost for the financial period	(87,922)
Movements in Working Capital	27 1,136
Other cash flow adjustments	28 21,037
Provisions utilised	20 0
Net cash outflow from operating activities	(65,749)
Cash Flows from investing activities	
Purchase of property, plant and equipment	(8,873)
Proceeds from disposal of property, plant and equipment	0
Purchase of intangible assets	(1,627)
Proceeds from disposal of intangible assets	0
Payment for other financial assets	0
Proceeds from disposal of other financial assets	0
Payment for other assets	0
Proceeds from disposal of other assets	0
Net cash inflow/(outflow) from investing activities	(10,500)
Net cash inflow/(outflow) before financing	(76,249)
Cash Flows from financing activities	
Welsh Government funding (including capital)	77,795
Capital receipts surrendered	0
Capital grants received	0
Capital element of payments in respect of finance leases and on-SoFP	0
Cash transferred (to)/ from other NHS bodies	0
Net financing	77,795
Net increase/(decrease) in cash and cash equivalents	1,546
Cash and cash equivalents (and bank overdrafts) at 1 April 2021	0
Cash and cash equivalents (and bank overdrafts) at 31 March 2022	1,546

The cash flows reported relate to movements in cash and cash equivalents (short-term highly liquid investments that are readily converted into known amounts of cash and subject to insignificant risk of changes in value, which is assumed if the instrument's maturity is 90 days or less).

As can be seen the end of year balance met the requested notional WG target of a maximum cash balance of £2m at year end.



NOTES TO THE ACCOUNTS

- 2 Performance
 - 2.1 Revenue Resource Performance
 - 2.2 Capital Resource Performance
 - Income Classification
- 3 Analysis of Gross Operating Costs
 - 3.1 General Medical Spend
 - 3.2 Other Operating Expenditure
 - 3.3 Losses, Payments & Irrecoverable Debt
- 9 Employee Benefits And Staff Numbers
 - 9.6 Fair Pay Disclosures
- 12 Intangible Non Current Assets
- 15 Trade & Other Receivables
- 18 Trade & Other Payables
- 30 Related Party Transactions

NOTE 2: PERFORMANCE

2.1 Revenue Resource Performance

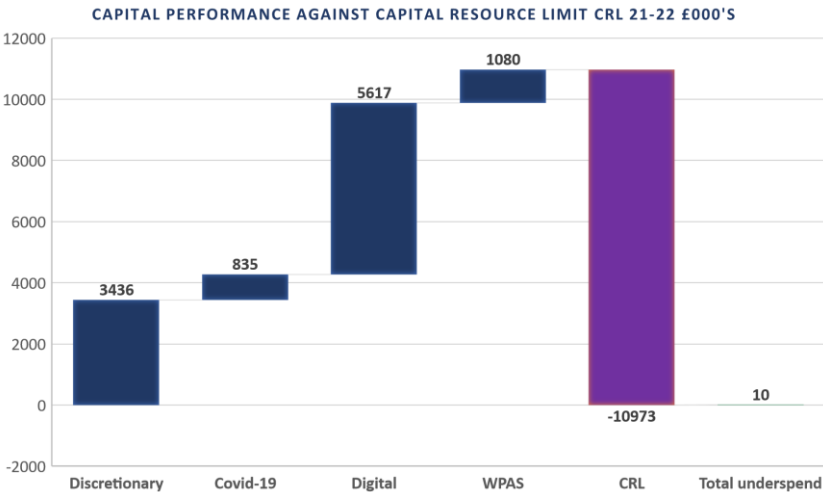
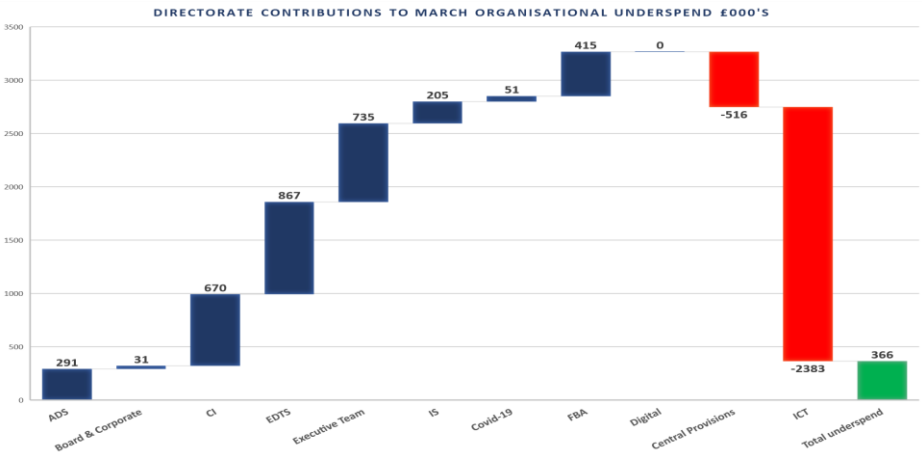
	2021-22
	£000
Net operating costs for the period	87,922
Less general ophthalmic services expenditure and other non-cash limited expenditure	0
Less revenue consequences of bringing PFI schemes onto SoFP	0
Total operating expenses	87,922
Revenue Resource Allocation	88,288
Under /(over) spend against Allocation	366

DHCW has met its financial duty to break-even against its Revenue Resource Limit over the operational period.

2.2 Capital Resource Performance

	2021-22
	£000
Gross capital expenditure	10,963
Add: Losses on disposal of donated assets	0
Less: NBV of property, plant and equipment and intangible assets disposed	0
Less: capital grants received	0
Less: donations received	0
Charge against Capital Resource Allocation	10,963
Capital Resource Allocation	10,973
(Over) / Underspend against Capital Resource Allocation	10

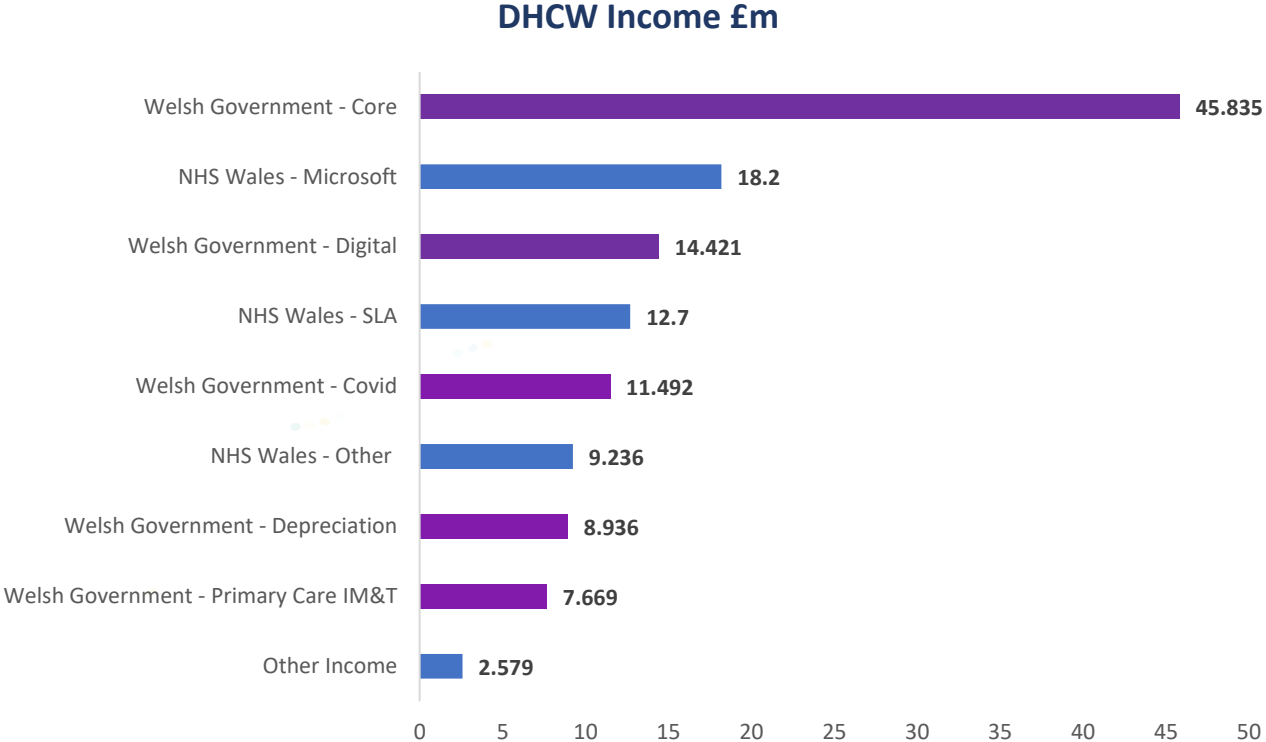
DHCW has met its financial duty to break-even against its Capital Resource Limit over the operational period.



Statutory Financial Duty has been achieved and presented in note 2.1 and 2.2

INCOME CLASSIFICATION

FUNDING SOURCE	£m
Welsh Government - Core	45.835
Welsh Government - Digital	14.421
Welsh Government - Primary Care IM&T	7.669
Welsh Government - Depreciation	8.936
Welsh Government - Covid	11.492
NHS Wales - SLA	12.700
NHS Wales - Microsoft	18.200
NHS Wales - Other	9.236
Other Income	2.579
Total	131.068



Of the total funding recorded for 2021/22

- ❑ £88.288m relates to Welsh Government and is reflected within the “Revenue Resource Allocation” entry within note 2.1.
- ❑ £40.137m funding from Health Boards and Trust for spend on Microsoft and SLAs

NOTE 3.1: GENERAL MEDICAL SERVICES

Digital Health and Care Wales SPECIAL HEALTH AUTHORITY (DHCW SHA)
ACCOUNTS 2021-22

3. Analysis of gross operating costs

3.1 General Medical Services

30 December 2020
to
31 March 2022
Total
£000

IT Support and Refresh	3,294
Public Sector Broadband Aggregation	2,398
Systems & Services Contract	6,307
Licences	2,710
Data Quality System Audit	472
Primary Care Services	2,199
Other Expenditure	274
Total	17,654

- ❑ GMS IM&T budget supports several high-quality digital services to Primary Care in Wales.
- ❑ A GP Practice core clinical system is provided via the GP Systems & Services Contract. Operational performance, service improvements and developments of the core clinical system are managed centrally enabling a once for Wales approach.
- ❑ The support of GP Practice IT hardware is fully managed. The managed desktop and managed print services are deployed to all 388 GP Practices. The managed desktop is deployed on 10,500 PCs and provides standardisation and a high level of security. The managed print service delivers reliable, supported printers, producing prescriptions to support patient care.
- ❑ GP broadband is delivered through Public Sector Broadband Aggregation (PSBA), which delivers a safe and resilient network to 520 GP sites. With the development of fibre technology, GP Practices are being migrated to fibre networks, which has provided improved network speeds, enhanced service levels and cost savings.
- ❑ Microsoft Office 365 is deployed on all PCs within GP Practices, providing Microsoft Teams, the collaboration platform workspace. Microsoft Teams has supported new ways of working, working more collaboratively, and delivering more healthcare locally.
- ❑ Data Quality System supports the Quality Assurance and Improvement Framework (QAIF), payment analysis, aggregate reporting, disease register and pandemic reporting.
- ❑ Staff related to all aspects of delivering the key functions of Primary Care requirements, including Cyber Security, Information Services, Information Governance, Development, Operational, Service Management and Project Management.

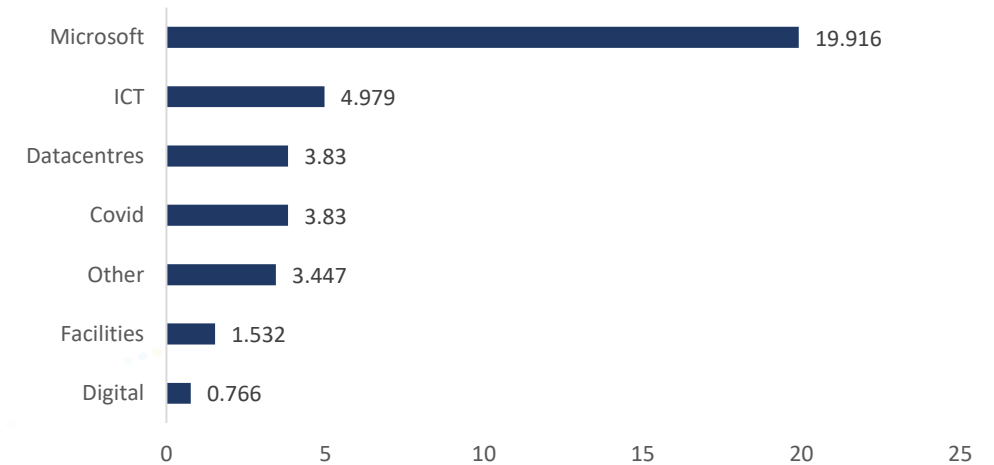
DHCW is required to note GMS spend separately and transparently

NOTE 3.2: OTHER OPERATING EXPENDITURE

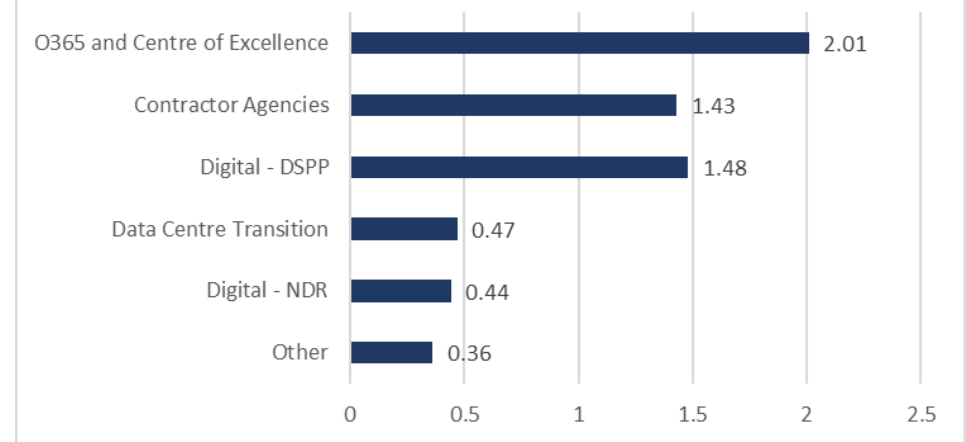
3.2 Other Operating Expenditure

	30 December 2020 to 31 March 2022 Total £000
Local Health Boards	4,830
Welsh NHS Trusts	1,315
Welsh Special Health Authorities	10
Goods and services from other NHS bodies	0
WHSSC/EASC	0
Local Authorities	19
Purchase of healthcare from non-NHS bodies	0
Welsh Government	6
Other NHS Trusts	0
Directors' costs	1,208
Operational Staff costs 890WTE (average)	40,139
Single lead employer Staff Trainee Cost	0
Collaborative Bank Staff Cost	0
Supplies and services - clinical	0
Supplies and services - general	4,092
Consultancy Services	903
Establishment	6,829
Transport	15
Premises	38,324
External Contractors	6,191
Depreciation	3,648
Amortisation	5,288
Fixed asset impairments and reversals (Property, plant & equipment)	0
Fixed asset impairments and reversals (Intangible assets)	0
Impairments & reversals of financial assets	0
Impairments & reversals of non-current assets held for sale	0
Audit fees	216
Other auditors' remuneration	0
Losses, special payments and irrecoverable debts	0
Research and Development	0
NWSSP centrally purchased Covid assets issued free of charge to NHS Wales organisations	0
NWSSP centrally purchased Covid assets issued free of charge to other organisations	0
Other operating costs	15
Total	113,048

Premises total £38.3m



External Contractors total £6.1m



NOTE 3.3 LOSSES, SPECIAL PAYMENTS AND IRRECOVERABLE DEBTS

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

Increase/(decrease) in provision for future payments:

Clinical negligence;	
Secondary care	0
Primary care	0
Redress Secondary care	0
Redress Primary care	0
Personal injury	0
All other losses and special payments	1,173
Defence legal fees and other administrative costs	0
Gross increase/(decrease) in provision for future payments	1,173
Contribution to Welsh Risk Pool	0
Premium for other insurance arrangements	0
Irrecoverable debts	0
Less: income received/due from Welsh Risk Pool	0
Total	1,173

All other losses and special payments incorporates two items, one being an exit payment of £15K and the second item for £1158K is a contractual payment made under the direction of NHS Wales Health Board and fully funded by Welsh Government.

Permanent injury included within personal injury £:

30 December 2020	
to	
31 March 2022	
Total	
£000	
0	
0	
0	
0	
0	
1,173	
0	
1,173	
0	
0	
0	
0	
1,173	
2021-22	
£	
0	

Disclosure within the accounts is required to report losses and special payments. Further analysis is also provided within note 23 (see below)

Digital Health and Care Wales SPECIAL HEALTH AUTHORITY (DHCW SHA) ACCOUNTS 2021-22

23. Losses and special payments

Gross loss to the Exchequer

Number of cases and associated amounts paid out during the financial year

	Amounts paid out during period to 31 March 2022	
	Number	£
Clinical negligence	0	0
Personal injury	0	0
All other losses and special payments	2	1,173
Total	2	1,173

Analysis of cases in excess of £300,000

Case Type	In year claims in excess of £300,000		Cumulative claims in excess of £300,000	
	Number	£	Number	£
Cases in excess of £300,000:	5	1 1158	1	1158
Sub-total	1	1,158	1	1,158
All other cases	1	15	0	0
Total cases	2	1,173	1	1,158

NOTE 9.6 FAIR PAY DISCLOSURES

Digital Health and Care Wales SPECIAL HEALTH AUTHORITY (DHCW SHA) ACCOUNTS
2021-22

9.6 Fair Pay disclosures
9.6.1 Remuneration Relationship

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director/employee in their organisation and the 25th percentile, median and 75th percentile remuneration of the organisation's workforce. The 2021-22 financial year is the first year disclosures in respect of the 25th percentile pay ratio and 75th percentile pay ratio are required.

	2021-22 £000	2021-22 £000	2021-22 £000
	Chief Executive	Employee	Ratio
Total pay and benefits			
25th percentile pay ratio	152.5	28.9	5.3:1
Median pay	152.5	38.4	4.0:1
75th percentile pay ratio	152.5	46.9	3.3:1
Salary component of total pay and benefits			
25th percentile pay ratio	152.5	27.8	5.5:1
Median pay	152.5	34.2	4.5:1
75th percentile pay ratio	152.5	45.8	3.3:1
	Highest Paid		
Total pay and benefits	Director	Employee	Ratio
25th percentile pay ratio	157.5	28.9	5.4:1
Median pay	157.5	38.4	4.1:1
75th percentile pay ratio	157.5	46.9	3.4:1
Salary component of total pay and benefits			
25th percentile pay ratio	157.5	27.8	5.7:1
Median pay	157.5	34.2	4.6:1
75th percentile pay ratio	157.5	45.8	3.4:1

This is a new note, and its first time the note has appeared in the Annual Accounts

In the 2021-22, operational period 0 employees received remuneration in excess of the highest-paid director. Remuneration for all staff ranged from £20,330 to £155,403. The all staff range includes directors (including the highest paid director) and excludes pension benefits of all employees.

The median pay ratio for the relevant financial year is consistent with the pay, reward and progression policies for the entity's employees taken as a whole. Prior year ratios are not available to enable any comparison.

NOTE 12 INTANGIBLE NON CURRENT ASSETS

Digital Health and Care Wales SPECIAL HEALTH AUTHORITY (DHCW SHA) ACCOUNTS 2021-22

12. Intangible non-current assets
2021-22

	Software (purchased)	Software (internally generated)	Licences and trademarks	Patents	Development expenditure- internally generated	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation at 30 December 2020	0	0	0	0	0	0
Cost or valuation at 31 March 2021	40,594	4,035	0	0	0	44,629
NWIS to DHCW Transfer Adjustment			0	0	0	0
Cost or valuation at 1 April 2021	40,594	4,035	0	0	0	44,629
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Additions- purchased	884	743	0	0	0	1,627
Additions- internally generated	0	0	0	0	0	0
Additions- donated	0	0	0	0	0	0
Additions- government granted	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Gross cost at 31 March 2022	41,478	4,778	0	0	0	46,256
Amortisation at 30 December 2020	0	0	0	0	0	0
Amortisation at 31 March 2021	27,350	1,528	0	0	0	28,878
NWIS to DHCW Transfer Adjustment	0	0	0	0	0	0
Amortisation at 1 April 2021	27,350	1,528	0	0	0	28,878
Revaluation	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Provided during the period	4,422	866	0	0	0	5,288
Reclassified as held for sale	0	0	0	0	0	0
Transfers	0	0	0	0	0	0
Disposals	0	0	0	0	0	0
Amortisation at 31 March 2022	31,772	2,394	0	0	0	34,166
Net book value at 1 April 2021	13,244	2,507	0	0	0	15,751
Net book value at 31 March 2022	9,706	2,384	0	0	0	12,090

Intangible assets is a resource which has no physical presence and has long term value to the organisation, for eg, software licences, software developments.

- ❑ The £12.1m of Intangibles in Note 12 comprise £9.7m of software purchased and £2.4m of software internally generated.
- ❑ High level of intangible Assets compared to NHS Wales. For eg £2m of intangibles in Cardiff and Vale in 2019-2020
- ❑ The software purchased comprises any software licence purchased with a value greater than £250 and a licence duration greater than 1 year.
- ❑ For software internally generated. all staff and consultancy expenditure plus any other expenses incurred can be capitalized and depreciated over the life of the software (normally 5 years)

NOTE 15 TRADE & OTHER RECEIVABLES

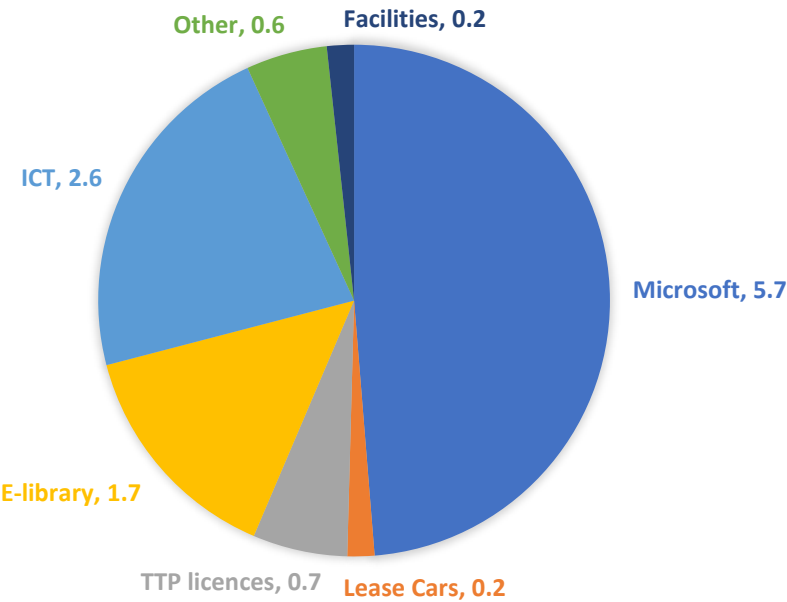
Digital Health and Care Wales SPECIAL HEALTH AUTHORITY (DHCW SHA) ACCOUNTS 2021-22

15. Trade and other Receivables

Current	As at 31 March 2022 £000
Welsh Government	0
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	2
Welsh Health Boards	645
Welsh NHS Trusts	213
Welsh Special Health Authorities	6
Non - Welsh Trusts	276
Other NHS	8
2019-20 Scheme Pays - Welsh Government Reimbursement	0
Welsh Risk Pool Claim Reimbursement;	
NHS Wales Secondary Health Sector	0
NHS Wales Primary Sector FLS Reimbursement	0
NHS Wales Redress	0
Other	0
Local Authorities	40
Capital debtors - Tangibles	62
Capital debtors - Intangibles	1,113
Other debtors	0
Provision for irrecoverable debts	0
Pension Prepayments NHS Pensions	0
Pension Prepayments NEST	0
Other prepayments	11,342
Other accrued income	0
Sub total	13,707
Non-current	
Other prepayments	371
Other accrued income	0
Sub total	371
Total	14,078

Prepayments refer to payment for a good or service in advance. Under accounting rules expenditure matches the period it relates to and (eg where activity takes place or economic benefit is consumed) any items paid for in advance are adjusted from the accounts, but are reported as an asset.

Other Prepayments £11.7m



NOTE 18 TRADE & OTHER PAYABLES

Digital Health and Care Wales SPECIAL HEALTH AUTHORITY (DHCW SHA) ACCOUNTS 2021-22

18. Trade and other payables

Current	As at 31 March 2022
	£000
Welsh Government	51
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0
Welsh Health Boards	1,413
Welsh NHS Trusts	115
Welsh Special Health Authorities	0
Other NHS	38
Taxation and social security payable / refunds	382
Refunds of taxation by HMRC	(8)
VAT payable to HMRC	0
Other taxes payable to HMRC	0
NI contributions payable to HMRC	581
Non-NHS trade payables - revenue	2,558
Local Authorities	1
Capital payables-Tangible	525
Capital payables- Intangible	2,332
Overdraft	0
Rentals due under operating leases	0
Obligations under finance leases, HP contracts	0
Imputed finance lease element of on SoFP PFI contracts	0
Pensions: staff	697
Non NHS Accruals	6,991
Deferred Income:	
Deferred Income brought forward	0
Deferred Income Additions	0
Transfer to / from current/non current deferred income	0
Released to SoCNE	0
Other creditors	1
PFI assets –deferred credits	0
Payments on account	0
Sub total	15,677

This note further analyses Creditors as at 31st March 2022.

The high balances relate to schemes with expenditure in the last quarter of the year, particularly DPIF schemes.

NOTE 30 RELATED PARTY TRANSACTIONS

30. Related Party Transactions

Related Party	Expenditure to related party £000	Income from related party £000	Amounts owed to related party £000	Amounts due from party related £000
Welsh Government	396	139,755	51	0
Aneurin Bevan	1,091	5,208	231	194
Betsi Cadwaladr LHB	815	6,579	356	0
Cardiff and Vale	681	3,253	238	129
Cwm Taf Morgannwg	742	4,271	19	14
Hywel Dda	715	4,213	208	94
Powys	516	1,369	217	96
Swansea Bay	682	1,313	216	117
Public Health Wales	323	2,301	45	72
Velindre	299	2,594	86	169
Welsh Ambulance Services	208	758	8	35
HEIW	742	4,271	19	14
Welsh Health Specialised Services Committee (WHSSC) / Emergency Ambulance Services Committee (EASC)	0	202	0	2
Local Authorities	460	1,533	1	41
	7,670	177,620	1,695	977

Related party transaction where Board Members have declared an interest (See notes below for details of relationships):

	Expenditure to related party £000	Income from related party £000	Amounts owed to related party £000	Amounts due from party related £000
Welsh Government (Included in above figures)	1,091	5,208	231	194
Hywel Dda (Included in above figures)	715	4,213	208	94
Bangor University	11	0	0	0
	17,157	364,661	3,829	2,242

Grace Quantock, Independent Member, is a Senior Independent Panel Member at Welsh Government.
Ruth Glazzard, Vice Chair, has a close relationship with an employee at Hywel Dda,
Marian Wyn Jones, Independent Member, is the Chair of Council at Bangor University.

IAS 24 defines a related party to include an entity’s subsidiaries, associates, joint venture interests, key management and close family members of key management. The standard requires an entity’s transactions with related parties, regardless of whether a price is charged, to be disclosed in that entity’s financial statements.

Declarable linkages between senior DHCW representatives also needs to be captured within this note.



THE ANNUAL REPORT

- Accountability Report
- Remuneration & Staff report
 - Salary & Pension Disclosure tables (remuneration)
 - Salary & Pension Disclosure tables (pensions)
- Parliamentary accountability & audit report
- Audit Certificate And AGW Report
- The Financial Statements

ACCOUNTABILITY REPORT

Auditors will review the accountability report for consistency with other information in the financial statements and will provide an opinion on the following disclosures which should clearly be identified as audited within the accountability report:

- Single total figure of remuneration for each director.
- CETV disclosures for each director.
- Payments to past directors, if relevant.
- Payments for loss of office, if relevant.
- Fair pay disclosures (Included in Annual Accounts).
- Exit packages, (included in Annual Accounts) if relevant and
- Analysis of staff numbers.

The draft Remuneration and Staff Report should be submitted to Welsh Government and Audit Wales by **Friday 6 May, 2022**.

REMUNERATION AND STAFF REPORT

The remuneration and staff report sets out the organisation's remuneration policy for directors and senior managers, reports on how that policy has been implemented and sets out the amounts awarded to directors and senior managers and where relevant the link between performance and remuneration

STAFF REPORT

The staff report will include the following information:

- a) Staff **numbers** –an analysis of staff numbers, analysed as in the groupings in the example accounts format.
- b) Staff **composition** –an analysis of the number of persons of each sex who were directors and employees .
- c) Sickness **absence** data.
- d) Staff policies applied during the financial year:
 - For giving full and fair consideration to applications for employment by the company made by disabled persons, having regard to their particular aptitudes and abilities.
 - For continuing the employment of, and for arranging appropriate training for, employees of the company who have become disabled persons during the period when they were employed by the company.
 - Otherwise for the training, career development and promotion of disabled persons employed by the company.
- e) **Other employee matters** - such as, other diversity issues and equal treatment in employment and occupation; employment issues including employee consultation and / or participation; health and safety at work; trade union relationships; and human capital management such as career management and employability, pay policy etc.
- f) Expenditure on **consultancy**
- g) **Off-payroll engagements** - HM Treasury requires public sector bodies to report arrangements whereby individuals are paid through their own companies (and so are responsible for their own tax and NI arrangements).

SALARY AND PENSION DISCLOSURE TABLES – SINGLE TOTAL FIGURE OF REMUNERATION

Table 1: Single Total Figure Of Remuneration

Name	(a) Salary (£'000) £5k bands	(b) Bonus payments (£'000) £5k bands	(c) Benefits in kind £ (to nearest £100)	(d) Pension benefits £'000 (to nearest £1000)	(e) Total £'000 £5k bands
Executive and Senior Management					
Helen Thomas	150-155	-	-	***	150-155
Claire Osmundsen-Little	120-125	-	-	***	120-125
Chris Darling	75-80	-	-	***	75-80
Rhidian Hurlle	155-160	-	-	***	155-160
Michelle Sell	90-95	-	-	***	90-95
Carwyn Lloyd-Jones	105-110	-	-	***	105-110
Gary Bullock(1)	25-30	-	-	***	25-30
Meirion George (2)	95-100	-	-	***	95-100
Non-Executive Directors					
Simon Jones (3)	20-25	-	-	-	20-25
Robert Hudson (4)	20-25	-	-	-	20-25
Marian Jones	5-10	-	-	-	5-10
Sian Doyle (5)	5-10	-	-	-	5-10
Ruth Glazzard	20-25	-	-	-	20-25
David Selway	5-10	-	-	-	5-10
Rowan Gardener	5-10	-	-	-	5-10
Grace Quantock	5-10	-	-	-	5-10

Specific narrative is required detailing tenure, e.g.:

Gary Bullock retired 30th June 2021
Meirion George commenced 5th May 2021
Simon Jones commenced 1st October 2021
Robert Hudson left 30th September 2021
Sian Doyle left 30th November 2021

*** Prior year figures required for this calculation are not available

SALARY AND PENSION DISCLOSURE TABLES– SINGLE TOTAL FIGURE OF REMUNERATION

Pension Benefits 2021-22

Name and Title	(a) Real increase in pension at pension age (bands of £2,500) £000	(b) Real increase in pension lump sum at pension age (bands of £2,500) £000	(c) Total accrued pension at pension age at 31 March 2022 (bands of £5,000) £000	(d) Lump sum at pension age related to accrued pension at 31 March 2022 (bands of £5,000) £000	(e) Cash Equivalent Transfer Value at 1 April 2021 £000	(f) Cash Equivalent Transfer Value at 31 March 2022 £000	(g) Real increase in Cash Equivalent Transfer Value £000	(h) Employer's contribution to stakeholder pension £000
Mrs. Helen Thomas, Chief Executive Officer	***	***	55-60	125-130	***	1,052	***	***
Mrs. Claire Osmundsen-Little, Executive Director of Finance	***	***	10-15	-	***	132	***	***
Mr. Chris Darling, Board Secretary	***	***	20-25	30-35	***	265	***	***
Mr. Rhidian Hurle, Executive Medical Director	***	***	50-55	105-110	***	989	***	***
Mrs. Michelle Sell, Chief Operating Officer	***	***	30-35	60-65	***	564	***	***
Dr. Carwyn Lloyd-Jones, Director of ICT	***	***	25-30	45-50	***	465	***	***
Mr. Gary Bullock, Director of ICT	***	***	45-50	135-140	***	-	***	***
Mr. Meirion George, Assistant Director of ADS	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

The Parliamentary Accountability Report will disclose the following:

- Regularity of expenditure. - It is expected that public funds will be used in a way that gives reasonable assurance that public resources will be used to deliver the intended objectives.
- Fees and charges (if applicable) - Charges for services provided by public sector organisations normally pass on the full cost of providing those services.
- (Public Sector Information Holders only) a statement is required if the entity has not complied with the cost allocation and charging requirements set out in HM Treasury guidance.
- A brief description of the nature of each of the entity's material remote contingent liabilities.

AUDIT CERTIFICATE AND AGW REPORT

- Where the relevant legislation requires the auditor to report on the examination of the financial statements, the auditor will provide such a report. The form and content of the report is the responsibility of the auditor.
- Where the auditor has no substantive comment to make, the report will generally be in the form of a single sentence appended to the audit opinion in the form: 'I have no observations to make on these financial statements'.
- Where there is a substantive report, it will be referred to in the audit opinion, but will be quite separate from it. Clearly at draft stage the Audit Certificate is not yet available for inclusion in this section of the report

THE FINANCIAL STATEMENTS

In the published version of the Annual Report, DHCW will present the full Financial Statements, of the organisation.



POINTS OF NOTE

- Notable Events
- The Audit Process
- Final Approval
- Timetable
- Control & Assurance Forums supporting delivery of statutory targets

NOTABLE EVENTS TO MONITOR AS PART OF THE ACCOUNTS SUBMISSION AND REVIEW PROCESS:

1 Provisions: IAS 19-Employee Benefit (Holiday Pay Accrual) & Supplier Specific Items

As part of the annual accounts, organisations are required to provide for the costs of holiday pay earned but not paid at the end of the reporting period (i.e. untaken leave), this provision will also include where staff have requested payment in lieu of annual leave due to be settled in 2022/23.

2 Provisions: Supplier Related

DHCW has entered provisions into the accounts to reflect agreements for NHS Digital services yet to be finalised with the possibility of a price increase – this item will be reviewed as part of the final audit.

3 International Financial Reporting Standard 16 (IFRS16-Leases)

IFRS16 becomes effective for public sector organisations in the UK from 1st April 2022. The standard will bring most operating leases from a revenue cost onto the Statement of Financial Position, representing a significant change in the accounting and funding of leases. The implementation of the standard will not affect the 2021/22 accounts, although a note will be included in the financial statements setting out the impact had the standard been adopted this year. Currently DHCW has 12 leases affected by IFRS16, comprising 10 property leases and 2 non-property leases and the accounting impact has been calculated in preparation for the adoption.

NOTABLE EVENTS TO MONITOR AS PART OF THE ACCOUNTS SUBMISSION AND REVIEW PROCESS:

4 Losses and Special payments

These types of payments include settlements, overpayments, damages, and thefts. It is a requirement that these payments are reported to the Audit & Governance Committee, and therefore a central list is maintained and the appropriate disclosure is also required within the final accounts. DHCW has incorporated two instances within its draft accounts.

5 Pensions Tax Annual Allowance – Scheme Pays Arrangements

In December 2019, the Welsh Government announced that clinical staff who go over their annual allowance for the 2019/20 tax year and who use scheme pays to pay the tax charge can be compensated in retirement for any reduction to their NHS Pension Scheme benefits.

The announcement gave assurance to clinicians that they could undertake any combination of clinical roles for the NHS during the 2019/20 tax year, including additional work relating to the coronavirus response, without suffering any financial loss as a result of the annual allowance taper. In certain circumstances this could lead to additional tax charges in excess of any additional income earned. On 18 December 2019, the First Minister (mirroring earlier action by the Secretary of State for Health and Social Care for England) issued a Ministerial Direction to the Permanent Secretary to proceed with plans to commit to making payments to clinical staff to restore the value of their pension benefits packages.

DHCW will continue to liaise with Audit Wales to ensure any cost implications are captured and recorded appropriately with any variation of opinion clarified and reported to the Audit & Assurance Committee.

THE AUDIT PROCESS

The Auditor General is required to give an opinion on the financial statements of Digital Health & Care Wales Special Health Authority (the SHA). The statutory deadline to lay the SHA's accounts before the National Assembly is within four months of their receipt. If the Welsh Government draft accounts submission deadline of noon on 29 April 2022 is met, this statutory deadline will be 29 August 2022.

However, in addition to this statutory deadline, they will endeavour to meet the Welsh Government's own deadline for the submission of the audited Excel accounts pro-forma (although not binding on the Auditor General), which for 2021-22 is 15 June 2022. This gives the **SHA four weeks to prepare the financial statements** and the **audit team just over six weeks to audit them.**

Interim audit work has been completed (between February and April). The final accounts audit commenced on Friday 29 April 2022. It is anticipated that the majority of the fieldwork will be completed by **Friday 27 May 2022.**

Audit Wales will complete a full review of the statements supporting evidence. A formal report (termed an ISA 260) will be produced and presented to Audit & Assurance Committee. The reports present Welsh Audit findings and opinion of DHCW 21-22 financial statements.

FINAL APPROVAL

<div>Statement of directors' responsibilities in respect of the accounts</div> <div><p>The directors are required under the National Health Service Act (Wales) 2006 to prepare accounts for each financial year. The Welsh ministers, with the approval of the Treasury, direct that these accounts give a true and fair view of the state of affairs of the special health authority and of the income and expenditure of the special health authority for that period.</p><p>In preparing those accounts, the directors are required to:</p><ul style="list-style-type: none">• apply on a consistent basis accounting principles laid down by the Welsh ministers with the approval of the Treasury• make judgements and estimates which are responsible and prudent• state whether accounting standards have been followed, subject to any material departures disclosed and explained in the account.<p>The directors confirm that they have complied with the above requirements in preparing the accounts.</p><p>The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the authority and to enable them to ensure that the accounts comply with the requirements outlined in the above mentioned direction by Welsh ministers.</p><p>By order of the board, signed:</p><p>Chair:</p><p>Date:</p><p>Chief Executive:</p><p>Date:</p><p>Director of Finance:</p><p>Date:</p><p>Page 87</p></div>
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Once the accounts have been submitted to and approved by the board the Chief Executive and Executive Director of Finance will approve and sign.

PDF copies will then be submitted to Welsh Government alongside detailed spreadsheets and returns.



**Capital and
Non-Pay Group**



**Financial
Planning & Pay
Group**



**IT Asset
Management
Group**



Cloud Council



**Internal
Controls**

TIMETABLE

Task / Submission	Due Date	Notes
Communication and circulation of Financial Accounts Guidance	14/02/2022	Completed
Financial Accounts Timetable and plan to MGT Board	17/02/2022	Completed
Financial Accounts Timetable and plan to PPMG	04/03/2022	Completed
Declare DHCW Financial Position to WG	06/04/2022	Completed
Submission of M12 MMR	25/04/2022	Completed
Submit TMS to WG	22/04/2022 (Noon)	Completed
Senior Finance Review of Unaudited Accounts	26/04/2022	Completed
Submission of Draft Accounts	29/04/2022 (Noon)	Completed
NHS Bodies to submit	06/05/2022 (Noon)	Accountability Report (Statement of Accountable Officer Responsibilities, Statement of Directors responsibilities in respect of the accounts, Annual Governance Statement)
Audit Committee	24/05/2022	Review of Draft Accounts
Audit Committee and Board Approval of Audited Accounts	14/06/2022	Audited accounts All TFR/LFRs TMS 1 A to C and F-H inclusive TMS2. Audited accounts, Annual Report Sections including; Accountability Report (Statement of Accountable Officer Responsibilities, Statement of Directors responsibilities in respect of the accounts AGW Report and Certificate, Performance Report, Annual Governance Statement, Remuneration Report) and Financial Statements (audited accounts)
Submission of FINAL Statements	15/06/2022 (Noon)	

SUMMARY:

- ❑ 15 Month set of accounts to be completed
- ❑ No prior year comparators
- ❑ Draft financial statements issued as per timetable
- ❑ DHCW has reported an unaudited position achieving all financial targets
- ❑ A number of items are currently areas of focus (provisions, special payments etc)
- ❑ Annual report and additional template submitted May 6th
- ❑ Audit Committee to review draft accounts May 25th
- ❑ ISA260 Report to be compiled by Audit Wales
- ❑ Audit Committee and SHA to sign off final accounts June 14th (accompanied by DOF briefing paper)
- ❑ Final accounts and report submitted June 15th

A briefing paper will be presented alongside the final accounts to surface key issues and support the Board approval process.