

6. Employee costs and numbers

6.1 Employee costs	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2004-05
	£000	£000	£000	£000	£000
Salaries and wages	157,096	0	3,816	160,912	142,830
Social security costs	13,395	0	0	13,395	11,499
Pension costs	18,927	0	0	18,927	17,182
Other pension costs	0	0	0	0	0
Total	189,418	0	3,816	193,234	171,511

6.2 Average number of employees

	Permanent Staff	Staff on inward secondment	Agency temporary and contract staff	Total	2004-05
	Number	Number	Number	Number	Number
Medical and dental	388	0	0	388	359
Ambulance staff	0	0	0	0	0
Administrative and estates	1,207	0	0	1,207	1,091
Healthcare assistants and other support staff	1,400	0	0	1,400	1,332
Nursing, midwifery and health visiting staff	2,126	0	0	2,126	2,066
Nursing, midwifery and health visiting learners	0	0	0	0	0
Scientific, therapeutic and technical staff	747	0	0	747	730
Social care staff	0	0	0	0	0
Other	0	0	0	0	0
Total	5,868	0	0	5,868	5,578

The increase in Admin & Estates staff is mainly as a result of the Hosting Agencies

6.3 Employee benefits

The Trust does not have an employee benefit scheme and no benefits were paid.

	2005-06 £000	2004-05 £000
Employee benefits		

6.4 Trust management costs	2005-06		2004-05	
	£000	Percentage of total income	£000	Percentage of total income
Trust management costs	11,847	4.1%	10,420	4.1%
Income	286,915		253,887	

This cost information is collected using the definition for Trust management costs from WHC(2000)113.

6.5 Retirement costs due to ill-health

During 2005-06 (prior year 2004-05) there were 16 (18) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension costs of these ill-health retirements (calculated on an average basis and borne by the NHS Pension Scheme) will be £1,307,243 (£1,821,858)

7. Public Sector Payment Policy - Measure of Compliance

7.1 Prompt payment code - measure of compliance

The Assembly requires that Trusts pay all their trade creditors in accordance with the CBI prompt payment code and Government Accounting rules. The Assembly has set as part of the Trust financial targets a requirement to pay 95% of the number of non-NHS creditors within 30 days of delivery or receipt of a valid invoice, whichever is the sooner.

	Number	£000	2004-05 £000
NHS			
Total bills paid 2005-06	3,862	25,370	28,198
Total bills paid within target	2,797	19,791	25,837
Percentage of bills paid within target	72.4%	78.0%	91.6%
Non-NHS			
Total bills paid 2005-06	105,098	93,473	86,025
Total bills paid within target	100,250	87,668	81,234
Percentage of bills paid within target	95.4%	93.8%	94.4%
Total			
Total bills paid 2005-06	108,960	118,843	114,223
Total bills paid within target	103,047	107,459	107,071
Percentage of bills paid within target	94.6%	90.4%	93.7%

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

	2005-06 £	2004-05 £
Amounts included within Interest Payable (note 9) arising from claims made under this legislation and compensation paid to cover debt recovery costs.	0	0

8. Profit (loss) on disposal of fixed assets

Profit / (loss) on the disposal of fixed assets is made as follows:

	2004-05 £000	£000
Profit on disposal of land and buildings	0	39
Loss on disposal of land and buildings	(8)	(1)
Profit on disposal of plant and equipment	0	0
Loss on disposal of plant and equipment	(130)	(256)
Profit on disposal of intangible fixed assets	0	0
Loss on disposal of intangible fixed assets	0	0
	(138)	(218)

9. Interest payable

	2004-05 £000	£000
Government borrowing	0	0
Finance leases and PFI schemes	0	0
Other	0	0
	0	0

10. Intangible fixed assets

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April	0	0	0	0	0
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Additions	11,806	0	0	0	11,806
Disposals	0	0	0	0	0
Gross cost at 31 March	11,806	0	0	0	11,806
Accumulated amortisation at 1 April	0	0	0	0	0
Indexation	0	0	0	0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluations	0	0	0	0	0
Provided during the year	590	0	0	0	590
Disposals	0	0	0	0	0
Accumulated amortisation at 31 March	590	0	0	0	590
Net book value at 1 April	0	0	0	0	0
Net book value at 31 March	11,216	0	0	0	11,216

The Intangible Fixed Asset above is for Informing Helathcare who have purchased Software Licences

11. Tangible fixed assets

11.1 Tangible assets at the balance sheet date:

Cost or valuation	Assets under								Total £000
	Land £000	Buildings, excluding dwellings £000	Dwellings £000	construction and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture and fittings £000	
At 1 April 2005	13,070	147,715	8,676	551	28,579	463	3,902	305	203,261
Indexation	611	2,547	150	9	604	10	82	6	4,019
Additions									
- purchased	391	1,384	0	2,726	1,589	0	55	0	6,145
- donated	0	0	0	0	27	0	0	0	27
- government granted	0	4	0	0	0	0	0	0	4
Reclassifications	0	1,523	0	(1,523)	0	0	0	0	0
Impairments	0	0	0	0	(47)	0	0	0	(47)
Other in-year revaluations	(2)	(1,126)	0	0	0	0	0	0	(1,128)
Disposals	(27)	0	(143)	0	(544)	0	(67)	0	(781)
At 31 March 2006	14,043	152,047	8,683	1,763	30,208	473	3,972	311	211,500
Depreciation									
At 1 April 2005	0	11,293	495	0	15,550	442	3,550	305	31,635
Indexation									
- purchased	0	195	9	0	329	9	75	6	623
- donated	0	0	0	0	0	0	0	0	0
- government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	(36)	0	0	0	(36)
Reversal of impairments	0	0	0	0	0	0	0	0	0
Other in-year revaluations	0	0	(143)	0	0	0	0	0	(143)
Disposals	0	0	0	0	(431)	0	(51)	0	(482)
Provided during the year	0	4,671	169	0	2,628	10	171	0	7,649
At 31 March 2006	0	16,159	530	0	18,040	461	3,745	311	39,246
Net book value at 1 April 2005	13,070	136,422	8,181	551	13,029	21	352	0	171,626
Net book value at 31 March 2006	14,043	135,888	8,153	1,763	12,168	12	227	0	172,254
Net book value of assets held under finance leases and hire purchase contracts									
Total	0	0	0	0	0	0	0	0	0
The total amount of depreciation charged in the Income and Expenditure account in respect of assets held under finance leases and hire purchase contracts:									
Total	0	0	0	0	0	0	0	0	0

11.2 Fixed asset investments at the balance sheet included in fixed assets comprise

The Trust had no fixed asset investments at the balance sheet date.

	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2005	681	13,091	0	0	0	0	0	0	13,772
Indexation	32	226	0	0	0	0	0	0	258
Additions	21	424	0	0	0	0	0	0	445
Depreciation	0	0	0	0	0	0	0	0	0
At 31 March 2006	734	13,741	0	0	0	0	0	0	14,475

The above in Note 11.2 relates to the Neath Port Talbot PFI scheme, details of which are provided in Note 26

11.3 The net book value of land and buildings at the balance sheet date comprise:		31 March
		2005
		£000
Freehold	143,524	143,815
Long leasehold	14,560	13,858
Short leasehold	0	0
Total	158,084	157,673

11.4 Fixed asset investments at the balance sheet excluded from fixed assets comprise:

		31 March
		2005
		£000
Investment in Zoobiotic Ltd	500	0

The Trust gained an investment in Zoobiotic Ltd, following the spin out of the Maggots business on the 16th May 2005. Further details are provided in Note 31. The value of £500k is the value attributable on spin out.

12. Stocks and work-in-progress

		31 March
		2005
		£000
Raw materials and consumables	3,894	3,497
Work-in-progress	0	0
Finished processed goods	0	0
Total	3,894	3,497

13. Debtors

		31 March
		2005
		£000
Amounts falling due within one year:		
Welsh Risk Pool	3,896	8,230
NHS debtors	7,886	11,967
PDC dividend debtors	327	541
Other debtors	3,531	5,436
Provision for irrecoverable debts	(375)	(289)
Other prepayments and accrued income	2,191	835
Sub-total	17,456	26,720
Amounts falling due after more than one year:		
Welsh Risk Pool	21,817	16,960
NHS debtors	0	0
Other prepayments and accrued income	3,092	3,198
Other debtors	0	0
Sub-total	24,909	20,158
Total	42,365	46,878

14. Investments

	31 March 2005	
	£000	£000
Government securities	8,925	6,000
Local authorities	0	0
Other	0	0
Total	8,925	6,000

15. Creditors**15.1 Creditors at the balance sheet date are made up of:**

	31 March 2005	
	£000	£000
Amounts falling due within one year:		
Bank overdrafts	0	0
Interest payable	0	0
Loan advance/brokerage	0	0
Payments received on account	0	0
NHS creditors	4,486	3,359
Non-NHS trade creditors - revenue	6,030	6,516
Non-NHS trade creditors - capital	4,700	581
Non-NHS trade creditors - losses and special payments	0	0
Tax and social security costs	131	1,677
PDC dividend payable	0	0
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	174	174
Other creditors - superannuation	33	1,491
Other creditors - all other creditors	724	705
Accruals	7,385	13,821
Deferred income	0	0
Sub-total	23,663	28,324
Amounts falling due after more than one year:		
Loan advance/brokerage	0	0
Obligations under finance leases and hire purchase contracts	0	0
Obligations under PFI schemes	3,661	3,836
NHS creditors	0	0
Non-NHS trade creditors - losses and special payments	0	0
Deferred income	0	0
Other	3,775	0
Sub-total	7,436	3,836
Total	31,099	32,160

NHS creditors include:

£nil for payments due in future years under arrangements to buy out the liability for early retirements over 5 instalments; and
£nil outstanding pensions contributions at 31 March 2006 (£nil at 31 March 2005).

Amounts falling due after more than one year relate to IHC payment due for microsoft licences

15.2 Loan advance/strategic assistance funding31 March
2005

Amounts falling due:	£000	£000
In one year or less	0	0
Between one and two years	0	0
Between two and five years	0	0
In five years or more	0	0
Sub-total	<u>0</u>	<u>0</u>
Wholly repayable within five years	0	0
Wholly repayable after five years, not by instalments	0	0
Wholly or partially repayable after five years by instalments	0	0
Sub-total	<u>0</u>	<u>0</u>
Total repayable after five years by instalments	0	0

The Trust has no loans/brokerage.

15.3 Finance lease obligations31 March
2005

Payable:	Total £000	£000
Within one year	0	0
Between one and two years	0	0
Between two and five years	0	0
After five years	0	0
Sub-total	<u>0</u>	<u>0</u>
Less finance charges allocated to future periods	0	0
Total	<u>0</u>	<u>0</u>

15.4 Finance lease commitments

The Trust has no finance lease commitments.

16. Provisions for liabilities and charges

	Structured settlement cases trans- ferred to Risk Pool £000	Transfer of prov- isions to creditors £000	Arising during the year £000	Reversed unused £000	Utilised during the year £000	Unwinding of discount £000	At 31 March 2006 £000
Clinical negligence	26,282	0	5,359	(3,805)	(1,665)	0	26,171
Personal injury	3,059	0	628	(80)	(523)	62	3,146
All other losses and special payments	0	0	21	0	(21)	0	0
Defence legal fees and other administration	151	0	99	(84)	(25)		141
Sub-total	29,492	0	6,107	(3,969)	(2,234)	62	29,458
Pensions relating to:							
former directors	72			27	(7)	3	95
other staff	987			108	(81)	34	1,048
Restructurings	0		0	0	0		0
Other	2,725		6,492	0	(2,025)		7,192
Total	33,276	0	12,599	(3,834)	(4,347)	99	37,793

Expected timing of cash flows:

	Between			Totals £000
	Within 1 year £000	2 and 5 years £000	After 5 years £000	
Clinical negligence	4,203	21,968		26,171
Personal injury	1,168	385	1,593	3,146
All other losses and special payments	0	0	0	0
Defence legal fees and other administration	82	59	0	141
Pensions - former directors	7	28	60	95
Pensions - other staff	81	324	643	1,048
Restructuring	0	0	0	0
Other	7,192	0	0	7,192
Total	12,733	22,764	2,296	37,793

£420k of the provision movement relates to the change in discount rate from 3.5% to 2.2% on the 1 April 2005.

The Trust estimates that in 2006-07 it will receive £3.007m, and in 2007-08 and beyond £21.818m from the Welsh Risk Pool in respect of the losses and special payments (including clinical negligence).

Other provisions include £2.1m for early retirement, redundancy, retraining and redeployment costs in relation to the re-provision of Learning Disabilities Services resulting from the closure of Hensol Hospital. During the year a new provision has been made for Agenda for Change (Pay Modernisation) for £4.9m

17. Movements on reserves

Movements on reserves in the year comprised the following:

	Revaluation reserve £000	Donated asset reserve £000	Govern- ment grant reserve £000	Other reserves £000	Income & expenditure reserve £000	Total £000
At 1 April 2005 as previously stated	42,648	3,301	0	0	490	46,439
Prior period adjustment					0	0
At 1 April 2005 as restated	42,648	3,301	0	0	490	46,439
Transfer from income and expenditure account					58	58
Impairments	11	0	0			11
Surplus (deficit) on revaluation / indexation of fixed assets	2,416	(16)	0			2,400
Transfer of realised profits/ (losses)	0	0	0		0	0
Receipt of donated/government granted assets		31	450			481
Depreciation, impairment and disposal of donated/government granted assets		(254)	0			(254)
Other transfers between reserves	(246)	0	0	0	246	0
Other reserve movements				500		500
At 31 March 2006	44,829	3,062	450	500	794	49,635

18. Notes to the cash flow statement

18.1 Reconciliation of operating surplus to net cash inflow from operating activities:	£000	2004-05 £000
Total operating surplus/(deficit)	4,555	4,239
Depreciation charge	8,239	7,496
Fixed asset impairment and reversals	7	0
Transfer from the donated asset reserve	(254)	(194)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	(397)	327
(Increase)/decrease in debtors	3,955	(13,152)
Increase/(decrease) in creditors	(9,724)	5,868
Increase/(decrease) in provisions	4,517	8,857
Net cash inflow from operating activities before restructuring costs	10,898	13,441
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	10,898	13,441

18.2 Reconciliation of net cash flow to movement in net debt	£000	2004-05 £000
Increase/(decrease) in cash in the period	0	0
Cash inflow from new debt	0	0
Cash inflow from loan advance/brokerage	0	0
Cash outflow from debt repaid and finance lease capital payments	0	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	2,925	6,000
Change in net debt resulting from cash flows	2,925	6,000
Non-cash changes in debt	0	0
Net debt at 1 April	6,400	400
Net debt at 31 March	9,325	6,400

18.3 Analysis of changes in net debt

	At 1 April 2005 £000	Cash flows £000	Non-cash changes £000	At 31 March 2006 £000
Cash at OPG bank	132	38		170
Cash at commercial bank and in hand	268	(38)		230
Bank overdrafts	0	0		0
Debt due within one year	0	0	0	0
Debt due after one year	0	0	0	0
Debt due from loan advance/brokerage	0	0	0	0
Finance leases	0	0	0	0
Current asset investments	6,000	2,925	0	8,925
	6,400	2,925	0	9,325

19. Capital commitments

Commitments under capital expenditure contracts at the balance sheet date were £543,466 (and in 2004-05 were £1,199,586)

20. Post balance sheet events

The Trust had no post balance sheet events having a material effect on the accounts.

21. Contingencies**Contingent Liabilities**

Provision has not been made in the 2005-06 accounts for the following amounts:		31 March 2005 £000
Legal claims for alleged medical or employer negligence	9,946	10,535
Doubtful debts	0	0
Other	0	0
Total value of disputed claims	9,946	10,535
Amount recovered under insurance arrangements in the event of these claims being successful	(7,816)	(8,550)
Net contingent liability	2,130	1,985

Other litigation claims could arise in the future due to known incidents. The expenditure which may arise from such claims cannot be determined and no provision has been made for them.

22. Losses and special payments

Losses and special payments are items that the National Assembly for Wales 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 income and expenditure account in accordance with UK GAAP but are recorded in the losses and special payments register when payment is made. Therefore this note is compiled on a cash basis.

Gross loss to the Exchequer

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

	Amounts paid out in year		Approved to write-off in year	
	Number	£	Number	£
Clinical negligence	161	1,698,212	172	2,140,046
Personal injury	247	431,290	287	530,395
All other losses and special payments	179	37,767	0	0
			194	36,431
Total	587	2,167,269	653	2,706,872

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

		Amounts paid out in year	Cumulative amount	Approved to write-off in year
		£	£	£
Cases exceeding £250,000				
Clinical Negligence	CBM190	42,405	3,917,949	102,405
Clinical Negligence	CBM332	504,299	533,027	107,616
Clinical Negligence	CBM399	73,315	282,603	79,531
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
Sub-total		620,019	4,733,579	289,552
All other cases		1,547,250	0	2,417,320
Total cases		2,167,269	4,733,579	2,706,872

Amounts Paid in year are for the period 01-04.05 - 31.03.06. Amounts Approved in Year are for the last quarter of 2004/05 and the first three quarters of 2005/06 and are approved retrospectively by the Audit Commission.

23.1 Movements in Government funds

	£000	2004-05 £000
Surplus/(deficit) for the financial year	5,499	4,876
Public dividend capital dividends	<u>(5,441)</u>	<u>(4,823)</u>
Subtotal	58	53
Gains/(losses) from revaluation/indexation of purchased fixed assets	2,416	7,294
Impairment of fixed assets	11	0
New public dividend capital	5,212	2,805
Public dividend capital repaid	(711)	0
Public dividend capital repayable	0	0
New loans from Government	0	0
Government loans repaid	0	0
Transfers from the donated asset reserve	0	(16)
Additions to/ transfers from the government grant reserve	450	0
Addition/(reduction) in other reserves	<u>500</u>	<u>0</u>
Net addition/(reduction) to Government funds	7,936	10,136
Opening Government funds at 1 April	159,664	149,528
Before deducting prior period adjustment of	<u>0</u>	<u>0</u>
Closing Government funds	<u>167,600</u>	<u>159,664</u>

23.2 Movements in public dividend capital

	£000	2004-05 £000
At 1 April 2005	116,526	113,721
New PDC issued in year	5,212	2,805
PDC due but not issued	0	0
PDC repaid in year	(711)	0
PDC repayable	<u>0</u>	<u>0</u>
At 31 March 2006	<u>121,027</u>	<u>116,526</u>

24. Financial performance targets

The Trust has met 3 out of its 3 of its financial targets. Details are given below:

24.1 Breakeven	£'000
Target retained surplus	0
Actual retained surplus	<u>58</u>
Variance	(58)

The Trust has broken even in 2005-06.

24.2 External financing	31 March		
The Trust is given an external financing limit which it is permitted to undershoot	2005		
	£000	£000	£000
External financing limit set by the Assembly		4,501	2,805
Cash flow financing	4,951		3,506
Finance leases taken out in the year	0		0
Other capital receipts	<u>(450)</u>		<u>(701)</u>
External financing requirement		<u>4,501</u>	<u>2,805</u>
Undershoot (overshoot)		<u>0</u>	<u>0</u>

The Trust has achieved its external financing limit.

24.3 Creditor payment

The Trust 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 Trust has achieved the following results:

Total number of non-NHS bills paid 2005-06	105,098
Total number of non-NHS bills paid within target	100,250
Percentage of non-NHS bills paid within target	95.4%

The Trust has met the target.

25. Related Party transactions

The Trust is a body corporate established by order of the Secretary of State.

During the year none of the board members or members of the key management staff or parties related to them has undertaken any material transactions with the Trust

Mr P M Williams and Mrs M Lee was a Director of Zoobiotics Ltd, and the share that Bro Morgannwg received following the spinout of the Maggots busines (£500k) is reflected in Fixed Asset Investment and Reserves.

Mr PM Williams was the Chair of the National Leadership Innovations Agency for Healthcare, information regarding this is included in the Segmental Note. Mr PM Williams was also a member of the NHS Confederation Council during 2005/06 and during the year the Trust received income from and made payments to this organisations of a level not exceeding £50000

Mr E Williams was a member of the Finance Committee of the Univerisy of Wales, Swansea during 2005/06 and during the year the Trust received income from and made payments to this organisation, of a level not exceeding £60,000.

Dr B Ferguson was an Associate member of Neath Port Talbot LHB during 2005/06. Transactions with this organisation are shown below.

Mr W Griffiths was a Board member of the University of Wales, Swansea during 2005/06 and during the year the Trust received income from and made payments to this organisation, of a level not exceeding £60,000.

Ms V Franklin was a member of the Vale of Glamorgan Local Health Board during 2005/06 transactions with this organisation are shown below

Mrs C Miles was the Chair on the Companionship Award Committee for the Institue of Healthcare Management during 2005/06, and during this year the Trust made payments to this organisaion in the region of £7,000.

The Trust has also received revenue and capital payments totalling £0.42m(2004/05 £0.32m) from the Bro Morgannwg NHS Charitable Fund, the Trustees of which are also members of the Trust Board. (The audited accounts of the Funds Held on Trust for this Charitable Fund are included in the Annual Report and Accounts for the Funds Held on Trust).

The Assembly is regarded as a related party. During the year the Trust has had a significant number of material transactions with the Assembly and with other entities for which the Assembly is responsible namely,

	INCOME RECEIVED/DUE £'000	
	2005-06	2004-05
Welsh Assembly Government	37,170	27,600
Health Commission Wales	11,977	9,500
University of Wales College of Medicine	527	450
	<u>49,674</u>	<u>37,550</u>
Vale LNB	31,143	30,900
Powys Healthcare NHS Trust	1,346	1,300
Bridgend LHB	100,927	93,700
Neath/Port Talbot LHB	77,924	70,700
Rhondda Cynon Taff LHB	4,210	4,000
Swansea LHB	2,106	2,000
	<u>217,656</u>	<u>202,600</u>
TOTAL	<u>267,330</u>	<u>240,150</u>

26. Other/ Private finance transactions

26.1 PFI operational schemes deemed to be off-balance sheet

	£000
Amounts included within operating expenses in respect of PFI transactions deemed to be <u>off-balance</u> sheet - gross	11,443
Amortisation of PFI deferred asset	(53)
Net charge to operating expenses	11,390

The Trust is committed to make the following payments during the next year.

PFI scheme which expires:	£000
Within one year	
Years 2-5 (inclusive)	
Years 6-10 (inclusive)	
Years 11-15 (inclusive)	
Years 16-20 (inclusive)	
Years 21-25 (inclusive)	12772
Years 26-30 (inclusive)	
etc.	

The estimated annual payments in future years are not expected to be materially different from those which the trust is committed to make during the next year.

	£000
Estimated capital value of the PFI scheme	66,000
Contract start date:	12 May 2000
Contract end date:	12 May 2030

Description of the Contract

On 12th May 2000, a 30 year Private Finance Initiative(PFI) contract was signed between the Trust and Baglan Moors Healthcare PLC for the provision of a 270 bed local general hospital at Baglan Moors to serve the population of Neath and Port Talbot.

The services to be provided in the new hospital, which was completed in Autumn 2000, resulted in the transfer of services from, and subsequent closure of, Neath and Port Talbot general hospitals. The Trust made its first payment on the contract in November 2002. The annual payments to the contractor (at 2005/06 prices) will be approximately £12.772 million, inclusive of the costs of support services that will be provided by the contractor.

The contract involves 3 significant elements:

Lease of the Trust's main site

The contract involves the lease of the trust's main site to the operator for nil consideration. The substance of the transaction is that it results in lower annual payments over the life of the contract. The land has been written out of fixed assets and reclassified as a prepayment in note 13 (NBV of land disposed £1,269,849). This prepayment will be amortised to the Income and Expenditure Account over the operational life of the scheme.

Residual interest in the assets

Where the property passes to the NHS at the end of the contract for nil consideration, an asset must be built up over the life of the contract in order to ensure that there is an appropriate allocation of the unitary charge between the cost of the service provided under the contract and the acquisition of the residual interest. The aim of building up the residual interest is to ensure that at the end of the contract the accumulated balance should exactly match the estimated fair value of the asset(s) received. In valuing the residual value of the building at the end of the contract, the Trust has used the District Valuer's indexed valuation figure at 30th September 2002 of £28.5 million. The asset will be subject to normal NHS valuation rules. The present value of the building over 30 years is £13,741,000. The present value of the land over 30 years is £734,000. These amounts have been recognised as a fixed asset investment in note 11.2. The value of the residual interest will be regularly revalued in accordance with NHS valuation guidelines. The provision created by the recognition of the residual interest will be amortised over the life of the contract on an annual basis. The provision has been recorded in note 15 as £3,834,967 for land and buildings.

27. Third party assets

The Trust held £126,314.37 cash at bank and in hand at 31 March 2006 (£142,811.67 @ 31 March 2005) which relates to monies held by the Trust on behalf of patients. Cash held in Patients deposit accounts amounted to £248,234.97 as at 31st March 2006 (£236,906.31 @ 31 March 2005). These items have been excluded from cash at bank and in hand reported in these accounts.

28. Financial instruments

The Trust has no borrowings and relies primarily on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.