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Welsh Assembly Government  
Llywodraeth Cynulliad Cymru  
Consolidated Annual Report and Accounts 2008-2009

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**Government of Wales Act 2006**

Accounts of the Welsh Assembly Government are prepared pursuant to Section 131 of the Government of Wales Act 2006 for the year to 31 March 2009, together with a Certificate and Report of the Auditor General for Wales thereon.

Laid before the Assembly on 3 September 2009 pursuant to the Government of Wales Act Section 131

## **THE PERMANENT SECRETARY'S REPORT**

### **Format of the accounts**

These financial statements have been prepared in accordance with the Accounts Direction issued by HM Treasury, under Section 131 of the Government of Wales Act 2006. They are a consolidation of the accounts of the Welsh Assembly Government; its executive agency, Health Commission Wales – Specialist Services (HCW); the Local Health Boards operating in Wales; and various subsidiary companies.

A copy of the Accounts Direction is available from the Welsh Assembly Government, Finance Department at Cathays Park, Cardiff, CF10 3NQ.

### **Function and operation**

The Welsh Assembly Government was formally established in 2007 under the Government of Wales Act 2006, which established a formal split of functions between the National Assembly for Wales (the legislature) and the Welsh Assembly Government (the executive). The Welsh Assembly Government is the devolved government for Wales and its role is to exercise functions devolved to it in order to make decisions on matters which affect people's daily lives; develop and implement policy; make subordinate legislation (eg regulations and statutory guidance) and propose Assembly Measures (Welsh Laws). Led by the First Minister, it is responsible for most of the issues of day-to-day concern to the people of Wales, including health, education, economic development, culture, the environment, transport and many local government issues.

All activities are continuing for financial reporting purposes up to 31 March 2009.

### **Principal aim and objectives**

*“One Wales: A progressive agenda for the government of Wales”* is an agreement between the Labour and Plaid Cymru groups in the National Assembly for Wales which was published on 27<sup>th</sup> June 2007.

The document offers a progressive agenda for improving the quality of life of people in all of Wales' communities, from all walks of life and especially the most vulnerable and disadvantaged. The Welsh Assembly Government's aim is to transform Wales into a self-confident, prosperous, healthy nation and society, which is fair to all. In particular:

- working together for Wales to help create a vibrant Welsh Economy, delivering strong and sustainable growth by providing opportunities for all;
- to improve and deliver excellent public services in Wales, with a particular emphasis on safeguarding and supporting vulnerable people, combating social exclusion and reducing inequality;
- to realise the government's sustainable development goals, with a particular focus on creating living communities and a sustainable environment now and for future generations;
- to promote and sustain rural communities, to protect and create a vibrant rural economy and ensure the conservation and enhancement of the natural environment;
- to develop high quality, citizen-focused services to give everyone the opportunity to enjoy and benefit from the rich and diverse cultural and historical experiences that Wales has to offer;

- to improve services for children and young people, and in education and training provision that support the people of Wales in fulfilling their academic, social and economic potential and deliver better outcomes for children, learners, communities, business and employers;
- supporting the people of Wales to live healthy and independent lives and to ensure that when they need health and social care services, they get the right care, in the right place at the right time; and
- to develop public services that are citizen-centred, ambitious, responsive, efficient, innovative and continuously improving.

### **Sources of funding**

Funding for the Welsh Assembly Government during 2008-09 was primarily provided by Parliament through the Welsh Consolidated Fund, and by the European Union.

### **Accounting boundary**

These accounts present the results of the Welsh Assembly Government for the year ending 31 March 2009 and its assets and liabilities at that date. The Welsh Assembly Government's core activities incorporated the expenditure of the Royal Commission for Ancient and Historic Monuments (Wales) (RCAHMW). The Welsh Assembly Government is responsible for operating much of the finance function of RCAHMW.

These accounts also report the assets, liabilities and the results of the Welsh Assembly Government's consolidated position. These incorporate the following:

Health Commission Wales (Executive Agency) (HCW);  
 the Local Health Boards in Wales;  
 Finance Wales PLC;  
 Welsh Development Management Ltd;  
 International Business Wales Ltd;  
 Ryder Cup Wales 2010 Ltd; and  
 Design Commission Wales Ltd.

The accounting policies adopted by HCW, Local Health Boards and subsidiaries are set out in their respective financial statements. I do not consider any differences between those policies and those adopted by the Welsh Assembly Government to have a material impact on these consolidated financial statements. Accordingly, no adjustments have been made to reflect differences in accounting policies.

### **Results for the year**

The results for the period are reported in detail in the attached accounts. They record a consolidated net operating cost of £12,590,709,000 (2007-08 - £11,771,296,000). The consolidated net assets have increased by £776,943,000 mainly due to increases in the value of the roads network, student loans and revised NHS Trust Public Dividend Capital.

### **Movements in tangible fixed assets**

Fixed asset additions in the period were £129,083,000. Fixed assets were re-valued in the period, resulting in a net increase in value of £390,458,000 of which £431,866,000 related to roads and infrastructure assets.

## **Lending and investing activities**

As part of its normal course of business the Welsh Assembly Government issues loans or Public Dividend Capital to other public sector bodies in Wales. The majority of these funds are issued to the National Health Service in Wales. Other loans exist with Local Authorities, Education Authorities and Housing Associations. Additionally, the Welsh Assembly Government has responsibility for managing the National Loans Fund loans to the Department for Economy and Transport.

At 31 March 2009 the Welsh Assembly Government and its related bodies had investments totalling £3,502,353,000 comprising Public Dividend Capital of £2,016,977,000; Student Loans of £1,426,206,000; property related investments of £34,847,000; interests in joint ventures of £21,695,000; and other loans of £2,628,000.

The Welsh Assembly Government loan funds are lent at a variety of interest rates, determined by HM Treasury.

## **Review of activities**

The activities of the Welsh Assembly Government are reported in the Management Commentary, published with these accounts.

No charitable donations were made in 2008-09.

## **Ministers and Senior Officers**

There were 10 Cabinet posts and 4 Deputy Minister posts during the financial year 2008-09:

<i><b>Cabinet Member</b></i>	<i><b>Post Held</b></i>
The Rt. Hon. Rhodri Morgan	First Minister
Ieuan Wyn Jones	Deputy First Minister and Minister for the Economy and Transport
Jane Hutt	Minister for Children, Education, Lifelong Learning and Skills
Jane Davidson	Minister for Environment, Sustainability and Housing
Andrew Davies	Minister for Finance and Public Service Delivery
Dr Brian Gibbons	Minister for Social Justice and Local Government
Edwina Hart MBE	Minister for Health and Social Services
Carwyn Jones	Counsel General and Leader of the House
Elin Jones	Minister for Rural Affairs
Rhodri Glyn Thomas	Minister for Heritage (until 18/07/08)
Alun Ffred Jones	Minister for Heritage (from 22/07/08)

Leighton Andrews	Deputy Welsh Minister for Regeneration
Jocelyn Davies	Deputy Welsh Minister for Housing
John Griffiths	Deputy Welsh Minister for Skills
Gwenda Thomas	Deputy Welsh Minister for Social Services

### **Senior Officials**

The Strategic Delivery and Performance Board (formerly the Management Board) of the Welsh Assembly Government supports the Permanent Secretary in ensuring that the Welsh Assembly Government's civil service is organised, resourced and motivated to deliver its objectives effectively. In particular, the Board assists the Permanent Secretary in his/her responsibilities for the management, development and organisation of the Welsh Assembly Government's staff; the stewardship of Welsh Assembly Government's assets; the use of public money; the development and delivery of the Welsh Assembly Government policies and the service provided by the Welsh Assembly Government's civil service to Ministers, Members and the citizens of Wales.

The composition of the Board during the year was as follows:

<i><b>Board Members</b></i>	<i><b>Post Held</b></i>
Sir Jon Shortridge KCB	Permanent Secretary ( to 30/04/08)
Dame Gillian Morgan	Permanent Secretary (from 01/05/08 )
Derek Jones	Senior Director, Policy ( to 25/04/08)
Ann Lloyd	Director of Health and Social Services ( to 30/11/08)
Paul Williams	Director of Health and Social Services ( from 01/12/08)
Richard Davies	Director of Public Service and Performance
Dennis Gunning	Director of Children, Education, Lifelong Learning and Skills (from 01/04/08 to 31/07/08)
David Hawker	Director of Children, Education, Lifelong Learning and Skills (from 01/08/08)
Gareth Hall	Director of Economy and Transport
Emyr Roberts	Director of Social Justice and Local Government
Matthew Quinn	Director of Environment, Sustainability and Housing
Hugh Rawlings	Director of Constitutional Affairs, Equality and Communication
Michael Harrington	Corporate Information and Services Director
Christine Daws	Finance Director

Bernard Galton	Human Resources Director
Jeffrey Godfrey	Legal Services Director
Huw Brodie	Director of Rural Affairs (to 20/03/09)
Rory O’Sullivan	Director of Rural Affairs (from 23/03/09)
June Milligan	Business Development Director
Clive Bates	Director General, Sustainable Futures (from 23/03/09)
Tony Jewell	Chief Medical Officer
Kathryn Bishop	Non-Executive Director
Elan Closs Stephens	Non-Executive Director
James Turner	Non-Executive Director (from 01/03/09)
Sir Adrian Webb	Non-Executive Director (to 31/07/08)

Membership of each of the management boards within HCW, the Local Health Boards, and the subsidiary companies are detailed in their individual accounts for 2008-09.

### **Senior official appointments**

The Permanent Secretary is appointed by the Prime Minister on the recommendation of the Head of the Home Civil Service.

Board Directors are appointed at the discretion of and by the Permanent Secretary. Civil Service Commissioners chair all openly recruited interview panels for the Strategic Delivery and Performance Board Directors.

All these appointments are for an indefinite term under the terms of the Senior Civil Service contract. The rules for appointment are set out in chapters 5 and 11 of the Civil Service Management Code.

Appointments relating to Senior Officials within HCW, the Local Health Boards and subsidiary companies are detailed in their individual accounts for 2008-09.

### **Remuneration of Welsh Ministers and the Management Board**

Welsh Ministers’ remuneration is determined by the National Assembly for Wales and is shown in the accounts of the National Assembly Commission.

The Permanent Secretary’s remuneration is set individually by the Head of the Civil Service on the recommendation of the Permanent Secretaries’ Remuneration Committee. For other members of the Strategic Delivery and Performance Board, remuneration is determined by the Senior Staff Remuneration Committee chaired by the Permanent Secretary in accordance with guidelines prescribed by the Senior Salaries Review Body and the Cabinet Office. Further details on remuneration are set out in the Remuneration Report published within these accounts.

## **Pensions and early departure costs**

Details of the Welsh Assembly Government pensions and early departure costs policies are included in notes 1 and 39 to these accounts.

## **Better Payment Practice Code**

Under the Late Payment of Commercial Debts (Interest) Act 1998, the Welsh Assembly Government is required to pay suppliers' invoices not in dispute within 30 days of receipt of goods or services or valid invoice, whichever is the later.

The Welsh Assembly Government policy is to pay purchase invoices immediately on satisfactory receipt of goods or services. During the year ending 31 March 2009, records from across the Welsh Assembly Government showed that 99.1% of invoices were paid within 30 calendar days. The public sector benchmark for most of that year was that 95% of invoices should be paid within this deadline. The relevant percentage of invoices paid within the terms of their payment policies by HCW, the Local Health Boards, and subsidiaries are disclosed in their respective accounts.

The Welsh Assembly Government is now also monitoring against the 10 working day target for paying invoices, introduced last year. The figure for the period December 2008 to March 2009 was 97.1%.

## **Auditors**

The accounts of the Welsh Assembly Government are audited by the Auditor General for Wales in accordance with the Government of Wales Act 2006.

The Welsh Assembly Government also made payments to the Wales Audit Office for the external audit of grant funding and the certification of claims submitted for support under European Structural Fund Programmes, and for a range of other work conducted at the request of the Welsh Assembly Government. These charges are included in Notes 5 and 6.

## **Events since the end of the financial period**

None.

## **Audit Information**

So far as the Accounting Officer is aware, there is no relevant audit information of which the Welsh Assembly Government's auditors are unaware, and the Accounting Officer has taken all steps that she ought to have taken to make herself aware of any relevant audit information and to establish that the auditors are aware of that information.

**Dame Gillian Morgan**  
**Permanent Secretary and Principal Accounting Officer**  
**26 August 2009**

## THE PERMANENT SECRETARY'S MANAGEMENT COMMENTARY

### **Organisational Development & Transformation**

#### ***Leadership***

As Permanent Secretary and Principal Accounting Officer, I am supported by a Strategic Delivery and Performance Board (SDPB) which, during 2008-09 consisted of Departmental Directors and three Non-Executive Directors. We work together as a team to provide strategic leadership and direction to staff and to ensure that the Welsh Assembly Government's civil service is organised, resourced and motivated to deliver its objectives effectively. I, however, retain overall responsibility as the Permanent Secretary and Principal Accounting Officer.

The Board meets once a month to consider strategic management and corporate issues. There is also a quarterly session devoted to corporate leadership and collective development issues and the Board undertakes an evaluation of its performance at least annually.

Two sub-committees, chaired by Non-Executive Directors, reported to the Board during 2008-09:

- Corporate Governance Committee, and the
- Remuneration Committee.

Other Sub-Committees (Policy, Corporate Services, Internal Communications, Legislation and Strategy) ceased to meet early in 2008-09 with work instead being picked up by lead departments.

The Board's business is regularly communicated to staff using the electronic news page and staff are encouraged to attend meetings as observers. Board members have also hosted Question & Answer sessions for staff in Assembly Government offices across Wales and during 2008-09 the Board held one of their monthly meetings outside Cardiff.

The Shadow Board initiative, established in 2006 with the aim of bringing fresh and more diverse perspectives to the deliberations of the Board and to contribute to the strategic management and development of the organisation, has continued. Following changes to the structure of the SDPB in early 2009 we will be undertaking an evaluation and review to determine how best to operate this kind of initiative in future.

The agenda, minutes and papers of regular Board meetings are published in line with the Welsh Assembly Government's model Publication Scheme.

Further information on the Terms of Reference and membership of the Board, and on the role and membership of its sub-committees, is available on the Assembly Government web-site.

#### ***Enabling Government Project***

We continued to invest in corporate change, determined to improve our processes and upgrade our systems. The five programmes being delivered are: People and Places, ICT Enabled Business Change, Customer Services Improvement Programme, IDEAS and Knowledge Management.

Within these on-going programmes we have had considerable success.

People and Places: delivery of a HR Shared Service Centre, Customer Relationship Management system for HR services and HR Organisational design are complete; Voluntary Early Release scheme and AGSB pensions project implemented and 26 Heads of Profession have been identified.

ICT Enabled Business Change: The Wales European Funding Office Programme and Project Information Management System (WEFO PPIMS) has been implemented successfully, E-Gateway has been scoped for implementation next year to deliver services on-line and the video conferencing project has been delivered.



Customer Services Improvement Programme: A new technical environment for the WAG internet has been delivered, the WAG awards project was launched, a training programme has been delivered to over 1000 staff and an innovative customer service self-assessment tool has been trialled successfully.

IDEAS: The core financial system went live in April and improvements were made to month end reporting and debt management. Detailed design of the Management for Delivery project is underway and the agriculture solution went live in April 09. Overall a £4.9m benefit has been delivered in-year.

Knowledge Management: Electronic Records and Data Management System Phase 2 (ERDMS) was successfully closed and Phase 3 business case approved, a reduction in the number of intranet files was made and an organisational vision for the Intranet was developed.

In addition to the above, the Organisational Development projects for DCELLS and DE&T have been completed, with the latter developing a CRM technology platform now being used by half its staff. Work has also been undertaken to scope the requirements for increasing capability and capacity in legislation and a new programme, Enabling Better Legislation, will be launched in 2009.

## ***IDEAS***

The Management Board commissioned a Corporate Finance Change Programme (CFCP) during 2007 in order to modernise and streamline the financial processes of the Welsh Assembly Government. An Enterprise Resource Planning System was purchased to enable the organisation to standardise processes and activities in order to deliver the most cost effective and efficient services to the people of Wales. On April 1<sup>st</sup> 2008 the first phase of the new technical platform was successfully installed; on which further modules are being built to meet ongoing organisational requirements.

The strategic case for change and the need for Welsh Assembly Government to take action to deliver a step change in approach and performance has been confirmed by the initial work of the programme. The objectives of the work were reinforced with the support of the Permanent Secretary, who published her 'Strengthening our Leadership' statement in October 2008 which positioned the IDEAS Programme as a key enabler for Welsh Assembly Government Business Transformation as a key part of the Enabling Government Framework. The original CFCP strategic case is still valid and has been further confirmed by the introduction of the CFCP work-streams in April 2008.

The IDEAS Programme was launched in June 2008 when the 'strategic context' of the CFCP was strengthened to reflect the whole of the Welsh Assembly Government organisation's requirements for business transformation supported by new processes enabled by new IT solutions.

This Programme is central to the Enabling Government framework and how Welsh Assembly Government can deliver the commitments in One Wales in order to make a difference for people in Wales. It will help Welsh Assembly Government to focus on performance and delivery to ensure that its work results in positive outcomes for Wales.

The key objectives of the Programme are to deliver improved financial information and management across the organisation; and delivery of better value for the Welsh pound, with procurement efficiencies/savings delivered through improved systems and processes from 2009/10. It will ensure the Welsh Assembly Government can make better informed decisions about resources and priorities. It will introduce improved and standardised ways of working and access to information for better results.

One of the main enablers for this is through the work of the Managing for Delivery workstream; this will provide information on delivery of the Welsh Assembly Government's objectives. The creation of a more formal Assembly Government Finance Community under the Programme further enhances leadership in that discipline across the public sector in Wales.

IDEAS will deliver increased understanding of the impact of the Assembly Government's activities upon the people of Wales. The Programme will ensure that skills are developed in the business and improve processes to reduce the number of non-value-added transactional activities.

### ***Legislation***

2008-09 was the first full year in which the Assembly Government could seek to exploit the potential for legislation created by the Government of Wales Act 2006. In July 2008 the First Minister announced the Welsh Assembly Government's Legislative Programme for 2008-09. This Programme included proposals for 3 Legislative Competence Orders (LCOs) to confer additional legislative competence on the National Assembly for Wales, and five Assembly Measures aimed at delivering specific commitments in the One Wales programme of government. Those various instruments are now well on the way to becoming law. In addition, during the year, three LCOs announced earlier, on Additional Learning Needs, Domiciliary Care and Vulnerable Children, and three Measures, on NHS Redress, Learner Travel and Learning and Skills, were approved by the National Assembly.

The use of primary legislation as a tool of government is a fairly new development for us. To ensure that we exploit its potential to the full, an *Enabling Better Legislation* improvement programme has been developed. The programme will aim to ensure that work on legislation becomes embedded within the culture of the organisation and fully meets Ministers' requirements by:

- identifying opportunities and deliver changes to increase the efficiency and effectiveness with which we develop legislation;
- improving our project and performance management;
- putting in place comprehensive training for staff to develop our capacity to deliver it effectively.

### ***Location Strategy***

By 2010, the Welsh Assembly Government will establish new offices at Merthyr Tydfil, Aberystwyth and Llandudno Junction. These will bring the full breadth of Welsh Assembly Government services closer to the people of Wales. Establishing new offices will improve accessibility and communications; stimulate economic growth in the local areas; create better working environments for Welsh Assembly Government staff; and deliver against our sustainable development duty and generate efficiency savings by closing existing office premises.

The new office in Merthyr Tydfil opened in October 2006.

#### **Aberystwyth**

Construction work commenced on the Aberystwyth office in November 2007 and the building was handed over on the 26 June 2009. There is a period of internal fit out of furniture and ICT, with the mobilisation of staff into the new office scheduled to start at the end of September 2009. The new office will accommodate up to 535 staff.

A Travel Plan is in place which encourages the use of more sustainable modes of transport and reduces single occupancy car usage. To support this we encourage the use of public transport; bus stops will be introduced outside the office; 53 cycle racks will be available outside the building; and a 'Pool Bike Scheme' has already been launched.

The Aberystwyth Facilities Management contract was awarded to Taylor Woodrow in April 2009.

### Llandudno Junction

A decision was made in September 2007 to re-procure the construction contract in line with European Union procedures. The construction contract with Pochin plc commenced on 20 October 2008 and construction costs will be around £20.2m (excluding VAT, professional fees, loose furnishings and IT equipment). The decision to re-procure the contract has been fully justified with demonstrable savings for construction costs in excess of £5m from our position in February 2007. The improved design reflects our low carbon building aspirations and key environmental features include naturally ventilated working areas and a sustainable biomass heating system, making use of wood fuel.

The aim is for construction to be completed by spring 2010. This will be followed by a period of internal fit out of furniture and ICT prior to the building being occupied summer 2010. The new office will accommodate up to 650 staff.

Work on site is progressing well. The structural steel is complete and the external cladding has also commenced. Pochin are seeking to ensure that wherever possible, within EU public procurement regulations, materials are bought locally and local site labour is used in order to maximise the spend within the local community. A total of £12.8million has been spent on construction to date with £8million being committed locally.

### *Staff Survey*

The 2009 Staff Survey (undertaken during January and February) received a 71% response rate, a slight increase from the previous year. Overall, our performance has improved since last year. Of the 43 questions that are directly comparable with last year, our performance has improved in 40 cases. Of the 28 questions for which there is benchmark data across Government Departments, our scores were higher in 21 of them.

As with the results of last year's survey, we scored particularly well in relation to staff understanding of how their work contributes to divisional and organisational objectives.

The employee engagement score for the Welsh Assembly Government has increased to 71%, up by 11% from last year. This indicates that general staff morale and motivation have improved significantly over the last year.

This year an integrated action plan for the organisation has been developed based on results from the 2009 Staff Survey, and alongside evidence from a Stock Take exercise and our Stakeholder Survey.

### *Stock-take*

In the autumn of 2008, I commissioned an independent stock-take to inform my approach to developing the organisation. An external team, led by Sir Nigel Hamilton (the former Head of the Northern Ireland Civil Service), looked at the efficiency of the management systems and processes,

focusing on three key areas of organisational capability: leadership, delivery and strategic management.

The approach adopted similar methods to the capability reviews carried out in Whitehall but took account of the different political and constitutional context that we work in. The process involved identifying and reviewing existing evidence sources within the organisation alongside a number of focused discussions with key external and internal stakeholders.

The stock-take found that:

- Our leadership is highly motivated and, following the restructuring of my Board, is well placed to harness the passion and pride of Welsh Assembly Government staff. We need to ensure that all our leaders are fully engaged in adopting the Enabling Government approach.
- We have sound foundations on which to build a compelling overarching strategy for the organisation. Our prioritisation, resource allocation and relationships with partner organisations would benefit from clear articulation of the strategy.
- There are clear examples of good delivery in the Welsh Assembly Government. The challenge is to bring the delivery of all its services up to this level and increase pace.

We are considering the recommendations from the stock-take together with the key findings from our most recent staff survey and the research which explored some of the themes from earlier staff and stakeholder surveys and the current IIP review. A number of common themes emerged from this range of evidence and we have identified a single set of priority areas for action. These will form the basis of an integrated programme of corporate action, based on the Enabling Government framework, that we are developing to respond to the challenges faced by the organisation and to build on work we already have in hand.

### ***Corporate Responsibility***

We have been working to reduce our impact on the environment through the way in which we carry out our work. The Green Dragon Environmental Standard has been used to design an effective Environmental Management System (EMS) which enables us to address and measure the environmental impacts of our day-to-day activities. We have put in place an Environmental Policy Statement and Action Plan which is monitored regularly and reviewed annually with the aim of year-on-year improvements in our environmental performance.

The Welsh Assembly Government has achieved the Green Dragon Environmental Standard Level 5 for Cathays Park, Merthyr Tydfil, two of its Carmarthen offices (Picton Terrace and Hill House), Llandrindod Wells and Bedwas offices. The Ladywell House and Y Lanfa offices have also been added to the Level 5 Certificate. Nine other offices are included under CCW and Assembly Commission Level 5 Certificates. Currently approximately 50% of the organisation is covered by our EMS system and Green Dragon Level 5. A roll out project is in hand extending Green Dragon Level 5 to the rest of the core administrative estate in the 2009-10 financial year. The emphasis is to implement effective environmental management through local empowerment.

We also use procurement practice as a driver for sustainability by factoring environmental considerations into our tenders and specifications. We were the first public sector organisation in the UK to let its car hire contract on the basis of the use of low emission vehicles.

Carbon dioxide emissions from electricity and gas consumption decreased by 6% (270 tonnes) in 2007-2008 from the previous year in our Cathays Park office. A new contract with our managing agent requires the agent to take an active role in monitoring energy consumption and in proposing

steps to reduce it. The managing agent is also required to remove equipment containing ozone-depleting substances by 2015.

The Environmental Management System initiated a Carbon Management Study in 2007 in conjunction with the Carbon Trust to produce a detailed project implementation plan to reduce Carbon Dioxide emissions on the estate starting with emissions from energy used in Welsh Assembly Government offices and on business travel. £2.1m funding was allocated to carbon management in between 2008-11. A Carbon Management Plan to set out action to reduce the Welsh Assembly Government's carbon emissions from 2011 to meet climate change targets is being developed.

### ***Sickness Absence***

The average rate of sickness absence during 2008 was 8.1 days per person, continuing the downwards trend in absence levels. Sickness absence is now 25% lower than the 2003 rate of 10.7 days per person, with financial benefits in the region of £2 million per year and an improved level of service for our customers. Our processes for managing sickness absence have been recognised nationally with our achievement of the Occupational Health Award for Absence Management, and other Government Departments and agencies have been in regular contact with us, keen to learn from our example. A new electronic reporting system has made it easier for managers to record absence and staff to update their records upon their return. The new system has also provided the most accurate real-time absence data we have ever received and is allowing us to target areas where absence levels are higher than average.

### ***Equality and Diversity***

The Welsh Assembly Government is committed to creating a culture free from prejudice and discrimination which embraces equality and diversity. Changing the culture and behaviour of our organisation is a long-term vision and two key building blocks have been put in place to deliver this:

Single Equality Scheme (SES) – this scheme provides a framework for progressing the equality agenda in Wales. During 2008/09 the People, Places, Corporate Services department contributed to the development of the SES and produced an action plan setting out what we will do to promote equality and diversity over the next three years.

Diversity Delivery Plan (DDP) – our first DDP was launched in October 2006 and was based on the Cabinet Office 10-Point Plan. Work began in 2009 to draft our second DDP 2009/13. Our Plan is set around four themes, which reflect our drive to mainstream equality and diversity further into every aspect of our business:

#### **1. Representation**

We are working towards a workforce that is moving towards being representative of the population of Wales; has leadership and accountability and clear transparent accountability for delivering diversity; has talent management systems to enable everyone to realise their potential; and .behavioural and cultural change where we are changing behaviour to create an inclusive culture, confident in our own diversity.

## 2. Benchmarking:

One of the ways in which we monitor our performance on equality is by comparing our working practices with those of other organisations. In 2008/09 we undertook four benchmarking exercises to gauge how well we promote equality.

Opportunity Now gender benchmarking – we took part in this exercise in 2008 and obtained a silver award.

Stonewall benchmarking – in early 2009 we were ranked among the top 100 gay friendly employers in Britain and the 3rd best organisation in Wales.

Employers Forum on Age - we took part in a new multi-strand diversity benchmarking exercise in 2008 and received a silver award.

A:gender Trans Equality Index – this benchmarking exercise assesses how well we meet the gender equality duty in relation to transsexual people and staff. In 2009 we received a score of 73.1% only narrowly missing out on one of the top 3 positions of organisations in the UK.

Employers Forum on Disability – we recently took part in the disability benchmarking exercise and expect the results in the Autumn 2009.

## 3. Recruitment and outreach:

We maintain compliance with the Civil Service Commissioners' Recruitment Code to ensure that all recruitment exercises are conducted in a fair and open manner, whether undertaken internally or externally, and are committed to the Two Tick Scheme for disabled applicants.

In order to promote the Welsh Assembly Government as a potential employer to disadvantaged groups we have worked to promote the organisation to a range of audiences and have increased the number of outreach activities/events from 54 in 2007-08 to 156 in 2008-09. Activities/events have included attending job fairs, delivering mock interview training and competency based application form training.

In order to inform future outreach activities we commissioned independent research at the end of 2008 into the barriers faced by disadvantaged groups when looking for employment. The research will be available shortly.

## 4. Placements:

We offer 10 different placement schemes all aimed at disadvantaged groups. These schemes range from a few weeks to a year and provide potential employees with the opportunity to gain an insight into the work of the Welsh Assembly Government.

Scheme	Target Group	Number Placed	Period Placed (Weeks)
SCOPE Leadership Recruitment Scheme	Disabled Graduates	7	50 weeks
Women Connect First	Minority Ethnic Women	1 1	2 weeks 50 weeks
Summer Development Scheme	Graduate Minority Ethnic Candidates (Fast Stream taster programme)	5	8 weeks
Chevening Scholars	High Calibre Foreign Students	12	2 weeks

EU Phare	European Civil Servants	2	12 weeks
Supported Employment Scheme	Disabled people, in particular those with learning difficulties, special needs and mental health issues	2	30 days
		4	6 months
		6	50 weeks
Travellers Programme	Gypsies & Travellers	2	1 week
		1	6 months
Scope Cymru	Disabled People	1	6 months
Undergraduate Programme	General recruitment	14	50 weeks
Work Experience Programme	Year 10 & 11 school pupils	70	1 week

## 5. Welsh Language:

The Welsh language is recognised as an organisational priority. We operate a comprehensive Welsh Language scheme, which sets out how we treat both languages equally.

### *Skills Strategy*

The Welsh Assembly Government submitted its Departmental Skills Strategy in April 2008 as part of the first Skills Strategy for Government process, led by Government Skills.

The peer review process resulted in the Welsh Assembly Government Strategy scoring 5th highest across the Civil Service, being commended in a number of areas, particularly around embedding Professional Skills for Government framework (PSG) and its work with the Heads of Profession.

As part of the ongoing Skills Strategy for Government work, the Welsh Assembly Government took part in a Civil Service-wide Skills Survey during March 2009, the outcomes of which will help focus on strategic skills issues for the future, both for us as an organisation and for the Civil Service as a whole. The completion rate for the Welsh Assembly Government was 30%, a dramatic and very positive improvement on the 9% response rate in 2007.

The responses to questions around skills development will highlight how well embedded the Professional Skills for Government competency framework has become within the Welsh Assembly Government. The survey will also provide some evidence on our new approach to the professions, particularly the extent to which staff are aware of the development of professional skills standards and are influenced by them in their own career planning.

Great strides have been made during this year to further develop the Heads of Profession (HoPs) network, with the first seminar for all WAG Heads of Professions being held in October 2008. The management information captured by the HR Information System (HRIS) to support the work of the professions has been greatly improved with data captured on posts by profession and information on staff qualifications, skills and membership of professional bodies.

The Welsh Assembly Government's first pilot Foundation Modern Apprenticeship Programme completed on 31st March 2009, with eight of the ten apprentices completing their qualification and gaining permanent employment with the Welsh Assembly Government (the other two are continuing due to maternity leave and a later start date). Three further apprentices started in Aberystwyth during this period, and the Welsh Assembly Government has now made a commitment to recruit a further one hundred apprentices over a five year period.

We have also begun looking at the options available for encouraging other public sector organisations to take on more apprentices as part of delivering the DCELLS' Skills that Work for Wales action plan. We are working together to ensure that public sector employees are equipped with the skills needed to radically improve our public services for the people of Wales.

### ***Investors in People***

The Welsh Assembly Government has been IIP accredited since 1999 and, until November 2007, underwent a voluntary annual assessment as part of its commitment to the Standard. Following a very successful review in November 2007 the IIP Assessors recommended that we raise the level of attainment from the basic IIP Standard to Profile, given we continue to meet and exceed the Standard. This is a move away from our present approach of consolidation, raising the bar on our Investors in People (IIP) Review as we will be reviewed more extensively against the 'Profile' standard.

In view of key events throughout 2008/early 2009, including the appointment of a new Permanent Secretary, an Organisational Stocktake, and commissioning of a Staff Survey, the annual review was postponed from November 2008 to May 2009. This allows for an integrated approach to organisational development, incorporating outcomes from these events, with feedback from the IIP Review.

### **Delivering the Business Agenda**

#### ***NHS Reform Programme***

*One Wales* committed the Welsh Assembly Government to '...move purposefully to end the internal market...', in order to improve health services for patients. In order to address this commitment, the Welsh Assembly Government set out practical proposals for putting this pledge into action. A detailed report has been included here as it is the most substantial programme to be driven by the Welsh Assembly Government.

#### **Consultation Paper I: Proposals to Change the NHS in Wales**

On the 2<sup>nd</sup> April 2008, the Welsh Assembly Government issued a Consultation Paper: ***Proposals to Change the Structure of the NHS in Wales*** (the first Consultation Paper), for a 12-week consultation period.

Following consideration of the consultation responses, between July and November 2008, the Minister for Health and Social Services (the Minister) made a number of statements to the National Assembly for Wales, when she confirmed:

- The establishment of a National Advisory Board, to be chaired by the Minister, which would hold its meetings in public;
- The establishment of a National Delivery Group, chaired by the NHS Wales Chief Executive, with responsibility for the day-to-day operational performance of the seven new NHS Local Bodies;
- The proposal to establish seven NHS Local Bodies as Local Health Boards (LHBs), who would undertake the functions of LHBs and NHS Trusts in Wales, as this would ensure the emphasis remained on co-operation and engagement with partners.



## Consultation Paper II: Delivering the new NHS for Wales

On the 2<sup>nd</sup> December 2008, the second Consultation Paper: *Delivering the new NHS for Wales*, was issued for a 12-week consultation period. This set out proposals and draft Statutory Instruments for seven LHBs in Wales, who would undertake the current functions of LHBs and NHS Trusts.

Following consideration of the consultation responses, on the 10<sup>th</sup> March 2009, the Minister confirmed that she would be establishing the six new LHBs, largely as set out in the second Consultation Paper. Powys LHB will remain as the seventh LHB in Wales.

### New NHS Bodies

As a result, on the 25<sup>th</sup> March 2009 the Minister laid the Local Health Boards (Establishment and Dissolution) (Wales) Order 2009 (the Order) before the National Assembly for Wales. The Order established the six new LHBs in shadow from the 1st June 2009, to be fully operational from the 1st October 2009. It also dissolved twenty-one of the twenty-two LHBs (except for Powys Teaching LHB) from the 1st October 2009.

At the same time, the Minister laid the Local Health Boards (Constitution, Membership and Procedures) (Wales) Regulations 2009, which sets out the LHB Board membership and the administrative arrangements of the new organisations. The Regulations will in due course also apply to Powys.

### Unified Public Health Organisation

On the 30<sup>th</sup> January 2009, the Consultation Paper: *Unification of Public Health Services* was issued for a 12-week consultation period. It was proposed that the unified public health system would comprise a new NHS Trust, designated the *Public Health Wales National Health Service Trust*, and this would incorporate the current functions and services of the Wales Centre for Health, the National Public Health Service, the Wales Cancer Intelligence and Surveillance Unit, the Congenital Anomaly Register and Information Service, Welsh Blood Services and Screening Services Wales.

### Community Health Councils

On the 30<sup>th</sup> January 2009, the Consultation Paper: *Proposals on the Future of Community Health Councils in Wales* was issued for a 12-week consultation period. Consultation on these proposals ended on the 24<sup>th</sup> April 2009. Following consultation, on the 12<sup>th</sup> May 2009, the Minister invited the Community Health Councils (CHCs) in Wales to bring forward proposals for joint working for her consideration.

### Specialist and Tertiary Services

On the 26<sup>th</sup> March 2009, the Consultation Paper: *Proposals for the Future of Specialised and Tertiary Services* was issued for a 12-week consultation period which ends on the 19<sup>th</sup> June 2009. This includes proposals to transfer the current functions of Health Commission Wales to the seven LHBs, to be managed by a Joint Committee of the LHBs.

### Challenges and Priorities

The NHS Reform Programme is one of the most fundamental public sector reform programmes to be managed in Wales. One of the most important challenges and priorities was to ensure that service

continuity was unaffected during the transition period. To address this, in November 2008 seven Transition Directors were appointed to ensure a fully joined up approach to managing in year pressures. The Transition Directors are responsible for the delivery of key service targets and objectives, particularly Access 2009 and Unscheduled Care. The Director General DHSS/Chief Executive NHS Wales, chairs a Transition Board, which meets monthly.

In order to mitigate risks, key appointments have been progressed with the appointment of the seven Chair Designates in March 2009, who formally took office when the LHBs were established in shadow form in June 2009. In addition, the appointments of the Chief Executives Designates were announced on the 21<sup>st</sup> April 2009. The appointments of the Vice-Chairs Designate have also been completed, although there are two posts still to be appointed.

This programme of work is not simply about changing organisational structures, but about ensuring that these new organisations are “fit for purpose”. These seven LHBs must focus on:

- changing behaviour not structures;
- collaboration not confrontation;
- planning not commissioning;
- whole systems not hospitals;
- clinical engagement;
- partnership working; and
- wellness not illness.

The Local Health Board model was favoured for the new organisations after a review of options Health and Social Services, Finance and Legal teams. This model will underpin partnership working, as it allows the statutory duty to formulate and deliver Health, Social Care and Well-being Strategies and Children and Young People’s Plans with Local Authorities to remain. In addition, the importance of working closely with the Third Sector in delivering services will be vital to the success of these new organisations.

At the end of the 2008/09 financial year, the programme is on target to meet the establishment of the LHBs in shadow form from the 1<sup>st</sup> June 2009, and to be fully operational from the 1<sup>st</sup> October 2009. Work is continuing on assisting the LHBs, by providing guidance, including draft Standing Orders and Standing Financial Instructions.

### Programme Structure

At the end of the first consultation paper, the NHS/DHSS Change Reform Programme Structure was revised and has become the Healthcare Reform Programme. The Healthcare Reform Programme Board meets on a monthly basis and comprises a number of key external stakeholders, including Local Government, the Third Sector, NHS senior managers, and Trade Union/Representative bodies. The Wales Audit Office also attends the meeting as an observer. The remit of the Programme Board will be monitored as the programme moves into the implementation phase.

### The Office of Government and Commerce (OGC) Review

To ensure that the NHS Reform Programme was progressing in the right direction, and to provide me with assurance, on the 16<sup>th</sup> – 20<sup>th</sup> February 2009, the NHS Reform Programme had its OGC Gateway Review 0: Strategic Assessment which gave confidence that the October launch date will be achievable.

The second OGC Gateway Review will be held in September 2009.

### Benefits Realisation Framework

Since August 2008, the Programme Team has undertaken detailed work to develop a comprehensive benefits framework. This framework covers five key areas where the reform programme will deliver measurable improvements:

- service quality benefits – for the patients;
- strategic and operational benefits;
- money moved into front line services benefits;
- better working across public services in Wales; and
- workforce opportunities.

### *Efficiency and Procurement*

As part of the Assembly Government programme of public sector improvement, we continued to champion measures to improve efficiency. The Welsh public sector reported good progress towards the delivery of the £600million 2010 efficiency target.

Through more effective collaborative working, smarter procurement, better use of capital and property, and shared services, Value Wales has directly enabled the public sector in Wales to realise efficiency improvements in excess of £83million to date, with £26.6million gained in this financial year. Examples of this work include the following:

- *All Wales Sourcing Strategy* – an all-Wales agreement on how best to purchase different goods and services – aggregating certain categories to get better deals in the market place;
- *Social Care Best Practice programme* – a set of projects to help commissioners get better care outcomes from their expenditure;
- *Sustainable Procurement Programme* - uses the leverage of the Welsh public pound to produce better long-term decision making and to deliver economic, environmental and social benefits, promotes the ‘*Opening Doors*’ *Charter for SME friendly procurement* to encourage a progressive increase in procurement from within the Welsh economy;
- *Sharing Services* – helping Local Authorities to establish or expand purchasing consortia to cover the whole of Wales and provide a shared procurement service.
- *Supported Businesses (employing more than 50% disabled staff)* – Driving social benefits from procurement – the Welsh Assembly Government is the first in the UK to make use of the new Article 19 legislation, reserving an IT recycling contract for supported businesses, and setting up a framework against which the entire Welsh public sector can call off services.

During the period, the five-year xchangewales programme got underway. This is delivering a suite of eProcurement tools that will enable all public sector organisations in Wales to source and buy goods and services online more effectively. Smaller organisations, including schools stand to gain considerable benefits from on-line access to better pricing for common items. In its first year the programme has already delivered £10.4million savings and reduced Carbon Dioxide emissions by some 16 tonnes. Sign up to the programme covers 50% of the total public sector expenditure and the programme anticipates savings for reinvestment amounting to a potential £200m over five years.

We also use procurement practice as a driver for sustainability by factoring environmental, social and economic considerations into our tenders and specifications.

We also use procurement practise as a driver for sustainability by factoring environmental, social and economic considerations into our tenders and specifications. We were the first UK public sector organisation to make use of the new Article 19 legislation, reserving an IT recycling contract for supported businesses employing 50% disabled people. We have since set up a Supported Businesses framework against which the entire Welsh public sector can call-off services.

## **Managing and Enhancing Welsh Assembly Government's Reputation**

### ***Information Security and Personal Data Related Incidents***

In April 2008, the Cabinet Office issued guidance on the Reporting of Personal data related incidents and audited bodies' responsibilities for monitoring and assessment of these risks.

Information Security continued in 2008-09 to receive a high profile. Security policies have been reviewed and changed as appropriate during the year. This work was accompanied by an awareness campaign underlining the importance of the security of the Welsh Assembly Government's information assets which was managed by our Internal Communications team. The Cabinet Office's e-learning package, 'Protecting Information' has been launched as mandatory training for all staff. New ICT projects receive sign off from Information Security at an early stage.

The Information Assurance Strategy was formally approved by the Strategic Development and Performance Board and is supported by a detailed Information Assurance Action Plan.

A number of policies and procedures to mitigate information risk have been developed. For example a strict policy governing the use of mobile devices such as laptops and removal of personal data from site is in place and a programme to roll out enhanced encryption for laptops is also underway.

The role of Information Asset Owners (IAOs) has begun to embed itself within Departments. This year, I placed particular emphasis on the security of our delivery chain and IAOs have written to our third party delivery partners to gain assurance that they are securely processing and storing the personal data they hold on our behalf.

We are currently looking at the resource implications of embedding Privacy Impact Assessments across the organisation and will shortly be making decisions about how they will be applied.

The measures implemented during 2008/09 should enable me to make, for and from 2009-10, the required disclosures set out by the Cabinet Office.

### ***Resilience***

The Emergencies Branch has had a busy and productive year having been enlarged just in time to cope with the consequences of the Pitt report that followed the summer floods of 2007, the Buncefield Report that followed the 2005 fire at Buncefield and a number of Cabinet Office initiatives to improve our preparations for a variety of civil contingencies. Pandemic flu planning has been at the front of these initiatives with a requirement for each of Wales' four Local Resilience Fora's (LRFs) to have published its Plan for reacting to the Pandemic Flu by 31 December 2008, which they did. Training has been a major initiative during the year and considerable steps have been taken with the help of the Emergency Planning College. The exercising regime has been heavy with Exercise Bardic Surge, that envisaged two aircraft crashing as a result of an explosion. The exercise involved more than 1,200 people, a large variety of organisations from Coroners to RAF Air Sea Rescue helicopters and the Air Accident Investigation Branch. Sadly the experience of Bardic Surge proved to be of value when two aircraft collided over South Wales early in 2009.

Other operations the Branch were involved with during the year were flooding on the Welsh Borders and the road salt shortages of early 2009. The Branch is staffed by a relatively small team but supplemented by a much wider organisation of volunteers drawn from across the Welsh Assembly Government who receive occasional training but are ready to respond to the call to help should an incident occur. The Branch ties in with all the emergency services, armed forces and all the other organisations across Wales that are responsible for planning for and responding to emergencies.

The Security Branch, led by the Departmental Security Officer, is responsible for Security Policy and the security of personnel and property across the Welsh Assembly Government. The Security Branch continues to review and update security policies and procedures to reduce the threat of attack against staff and premises. Regular audits are conducted to ensure understanding and compliance with these policies and procedures and assistance is given to resolve any areas of concern. The Security Branch provide an education and awareness programme with presentations given at every induction course and on an ad hoc basis to the business where needs are identified. The Security Branch have conducted a number of internal investigations and are supported by other internal security colleagues and external security organisations.

### ***Business Continuity***

The Corporate Business Continuity Plan, a top tier overarching plan that describes the processes in place to enable business and the strategies in place that provide for continuity, was revised in March 2009.

In support of the strategy, there are 15 Departmental Plans. Each Department has a business continuity co-ordinator responsible for the management of information relating to the conduct and recovery of critical business activity. Plans record that activity, the management processes that facilitate business, the location and contact details of key personnel and external bodies/contributors involved in each activity, and business recovery and resource needs. All co-ordinators have confirmed that they have plans in place and that they have undertaken a desktop exercise. Regular reports on the business continuity strategy have been made to Corporate Services Committee and Strategic Delivery and Performance Board. In November 2008, the Emergency Planning College facilitated a workshop for Co-ordinators and Process Managers that featured an exercise to test our response to an outbreak of pandemic flu. The workshop was well received and an operating procedure for strategic recovery was prepared as a result.

The Welsh Assembly Government has a contractual arrangement with Siemens Business Services to provide the organisation's information technology infrastructure. This contract commenced on 1 May 2004 and covers a period of ten years.

The second annual Business Continuity Management Report was prepared in February 2009.

Following the introduction of 7 Director General portfolios from 1 April 2009, and the consequent 'grouping' of Departments within those portfolios - the second tier of planning (at Departmental level) is presently being revised.

### ***Risks and uncertainties***

The Strategic Delivery and Performance Board (SDPB) regularly reviews the Welsh Assembly Government's corporate risk register to ensure that action is being taken to manage issues that may impede the delivery of our programmes. The Corporate Governance Committee, a sub-committee of

the SDPB, works to a structured agenda programme which incorporates a systematic look at risks and at the plans and findings of our Internal Audit Service.

The Corporate Governance Committee, a sub-committee of the SDPB assists the SDPB by monitoring and reviewing both the risk, control and governance processes which have been established, and the associated assurance processes in place within the organisation.

Below this corporate level, all Directors General hold and manage their own departmental risk registers, and their top scoring risks are regularly shared with the SDPB. These registers are reviewed by their senior management and the DG Corporate Governance Committees during the year.

During 2008-09 the focus of our risk management was the worsening economic downturn and budget planning in preparation for tighter future budgets. These activities are ongoing and are being managed through a range of policy and delivery actions to ensure that all risks are properly identified and minimised.

Progress continues to be made to improve the processes, awareness and understanding of risk management across the Welsh Assembly Government. Understanding of risk identification and management continues to be developed through training sessions for staff and demand led workshop events. Our risk management systems will continue to be reviewed and improved to ensure that all risks are properly identified and managed using a consistent methodology and assessment process, with the aim of reducing all risks to manageable levels.

### ***All Wales Convention***

The One Wales programme for government agreed in 2007 included a commitment for the Assembly Government to establish an All Wales Convention to inform the Welsh public about the current devolution settlement and stimulate public debate about the case for conferring further legislative powers on the National Assembly. This would be done by bringing Part Four of the 2006 Act into force. That can only be done after a referendum agreeing such action has been held, and the Convention is charged also with making recommendations in relation to the holding of a referendum. Members of the convention's Executive Committee were appointed in summer 2008, and the Convention, under the chairmanship of Sir Emyr Jones Parry, undertook in the following months an extensive public engagement exercise. This will continue into 2009-10; the Convention has been asked to submit its final report by the end of 2009.

**Dame Gillian Morgan**  
**Permanent Secretary and Principal Accounting Officer**  
**26 August 2009**

## REMUNERATION REPORT 2008-09

### *Remuneration Policy*

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries. For further information see the Permanent Secretary's Report.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975. Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com)

The salaries payable to office holders are linked to specific ministerial posts in Westminster and were confirmed by the National Assembly for Wales Commission in The National Assembly for Wales (Assembly Members and Officers) (Salaries) Determination December 2008. The relevant details are extracted below. In addition, Assembly Members as Ministers are also entitled to a basic salary equal to 82 per cent of the salary of a Member of Parliament.

<b>Office</b>	<b>Additional Office-Holder's Salary</b>
First Minister	An additional office-holder's salary at the same level as a Secretary of State
Welsh Minister / Counsel General	An additional office-holder's salary at the same level as a Minister of State
Deputy Minister	An additional office-holder's salary at the level of 62.9 per cent of that of a Welsh Minister

In August 2008 the National Assembly for Wales Commission established an independent review panel whose remit included the salaries payable to office holders.

The panel reported its findings and recommendations on 6 July 2009. Recommendation 14 is to move to a proportional method for the salaries payable to office holders

### **Service Contracts**

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 60. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners can be found at [www.civilservicecommissioners.gov.uk](http://www.civilservicecommissioners.gov.uk).

## Salary and pension entitlements \*

\*This section is subject to audit.

The following sections provide details of the remuneration and pension interests of the Ministers and the most senior management (i.e. Board members) during 2008-09.

### Remuneration

The remuneration of the First Minister and his cabinet team and of the members of the Management Board, who served during the year, is noted below.

	2008-09	2007-08
Ministers	Salary £	Salary £
Rhodri Morgan <i>First Minister</i>	130,254	127,962
Ieuan Wyn Jones <i>Deputy First Minister</i>	92,544	63,815 (Full year equivalent 90,479)
Andrew Davies <i>Welsh Minister</i>	92,544	90,479
Jane Davidson <i>Welsh Minister</i>	92,544	90,479
Dr Brian Gibbons <i>Welsh Minister</i>	92,544	90,479
Edwina Hart MBE <i>Welsh Minister</i>	92,544	90,479
Jane Hutt <i>Welsh Minister</i>	92,544	90,479
Carwyn Jones <i>Counsel General</i>	92,544	90,479
Elin Jones <i>Welsh Minister</i>	92,544	63,815 (Full year equivalent 90,479)
Alun Ffred Jones (from 22 July 2008) <i>Welsh Minister</i>	63,091 (Full year equivalent 92,544)	-
Rhodri Glyn Thomas (to 18 July 2008)) <i>Welsh Minister</i>	27,614 (Full year equivalent 92,544)	63,815 (Full year equivalent 90,479)



	<b>2008-09</b>	<b>2007-08</b>
	Salary £	Salary £
Leighton Andrews <i>Deputy Welsh Minister</i>	77,465	63,423 (Full year equivalent 73,178)
Jocelyn Davies <i>Deputy Welsh Minister</i>	74,682	53,279 (Full year equivalent 73,178)
John Griffiths <i>Deputy Welsh Minister</i>	77,465	63,423 (Full year equivalent 73,178)
Gwenda Thomas <i>Deputy Welsh Minister</i>	77,465	63,423 (Full year equivalent 73,178)

The salary and benefits in kind of the Welsh Ministers which are reflected in the accounts of the National Assembly for Wales Commission are shown in the table above. Ministerial salaries are in addition to their salaries and entitlements as Assembly Members.

	<b>2008-09</b>	<b>2007-08</b>
<b>Officials</b>	Salary £000	Salary £000
Sir Jon Shortridge <i>Permanent Secretary (to 30/04/08. Employed to 19/05/08)*</i>	40-45 (full year equivalent 195-200)	185-190
Dame Gillian Morgan** <i>Permanent Secretary (from 01/05/08)</i>	170-175 (full year equivalent 180-185)	-
Derek Jones <i>Senior Director (to 25/04/08)</i>	10-15 (full year equivalent 140-145)	135-140
Huw Brodie <i>Director (to 20/03/09)</i>	110-115	100-105
Ann Lloyd <i>Senior Director (to 19/12/08)</i>	125-130 (full year equivalent 170-175)	165-170

	<b>2008-09</b>	<b>2007-08</b>
<b>Officials</b>	Salary £000	Salary £000
Paul Williams*** <i>Senior Director (from 01/12/08)</i>	80-85 (full year equivalent 230-235)	-
Richard Davies <i>Director</i>	120-125	110-115
Bernard Galton <i>Director</i>	125-130	110-115
Hugh Rawlings <i>Director</i>	100-105	100-105
Jeff Godfrey <i>Director</i>	110-115	105-110
Michael Harrington <i>Director</i>	95-100	85-90
Dennis Gunning <i>Director (from 01/04/08 to 31/07/08)</i>	40-45 (full year equivalent 115-120)	-
David Hawker (from 01/08/08)**** <i>Senior Director</i>	100-105 (full year equivalent 145-150)	-
Emyr Roberts <i>Director</i>	105-110	100-105
Gareth Hall <i>Senior Director</i>	145-150	140-145
Christine Daws <i>Director</i>	125-130	120-125
June Milligan <i>Director</i>	100-105	95-100
Tony Jewell <i>Director</i>	165-170	160-165
Matthew Quinn <i>Director</i>	95-100	35-40 (Full year equivalent 90- 95)

	<b>2008-09</b>	<b>2007-08</b>
<b>Officials</b>	Salary £000	Salary £000
Rory O'Sullivan <i>Director (from 23/03/09)</i>	5-10 (Full year equivalent 85-90)	-
Clive Bates <i>Director General (from 23/03/09)</i>	0-5 (Full year equivalent 130-135)	-
Sir Adrian Webb ***** <i>Non-Executive Director (to 31/07/08)</i>	5-10 (full year equivalent 10-15)	0-5 (Full year equivalent 10- 15)
Kathryn Bishop <i>Non-Executive Director</i>	10-15	10-15
Elan Closs Stephens <i>Non-Executive Director</i>	10-15	0-5 (Full year equivalent 10- 15)
James Turner <i>Non-Executive Director (from 01/03/09)</i>	0-5 (full year equivalent 10-15)	-

\*Sir Jon Shortridge was on leave from 30/04/08 to 19/05/08

\*\*Dame Gillian Morgan received a one-off contribution to additional housing costs of £25,000, which was approved by the Cabinet Office.

\*\*\* Paul Williams is seconded from another organisation. The amount disclosed is the total amount to be paid to his employer, including pension for 2008-09.

\*\*\*\*David Hawker's salary includes relocation costs of £6,959.37.

\*\*\*\*\* Sir Adrian Webb was on a sabbatical from the Management Board from February 2007 until 1 January 2008. During 2008/09 he completed assignments for the Welsh Assembly Government not connected with his role as a Board member for which he received remuneration of £41,578 (2007/08: £32,025) in addition to the amounts above.

## Salary

'Salary' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

This report is based on payments made by the Welsh Assembly Government with the exception of Ministers as noted above.

Senior Civil Servants within the Welsh Assembly Government are entitled to a performance related bonus which is paid at the end of July each year. It is the role of the Senior Civil Service Remuneration Committee to determine the reward strategy each year, assessing the relevant

contributions and performance of these employees during the year. This Remuneration Committee consists of the Permanent Secretary, a Senior Director and two non-executive Directors.

### Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Customs and Revenue as a taxable emolument, and is disclosed to the nearest £100. The only benefits in kind assessed for 2008/09 were for B. Galton and amounted to £300 (2007/08: nil).

### Pension Benefits

<b>Ministers</b>	Accrued pension at age 65 as at 31/3/09	Real increase in pension at age 65	CETV at 31/3/09	CETV at 31/3/08*	Real increase in CETV
	£000	£000	£000	£000	£000
Rhodri Morgan <i>First Minister</i>	25-30	0-2.5	434	395	28
Ieuan Wyn Jones <i>Deputy First Minister</i>	15-20	0-2.5	394	334	31
Jane Davidson <i>Welsh Minister</i>	20-25	0-2.5	318	275	19
Andrew Davies <i>Welsh Minister</i>	20-25	0-2.5	337	295	19
Dr Brian Gibbons <i>Welsh Minister</i>	35-40	0-2.5	800	735	19
Edwina Hart MBE <i>Welsh Minister</i>	25-30	0-2.5	420	371	19
Jane Hutt <i>Welsh Minister</i>	25-30	0-2.5	540	480	22
Carwyn Jones <i>Welsh Minister</i>	20-25	0-2.5	262	219	12
Elin Jones <i>Welsh Minister</i>	15-20	0-2.5	190	157	15
Alun Ffred Jones <i>Welsh Minister (from 22/07/08)</i>	5-10	0-2.5	109	92	10
Rhodri Glyn Thomas <i>Welsh Minister (to 18/07/08)</i>	10-15	0-2.5	186	165	9

	Accrued pension at age 65 as at 31/3/09	Real increase in pension at age 65	CETV at 31/3/09	CETV at 31/3/08*	Real increase in CETV
	£000	£000	£000	£000	£000
Leighton Andrews <i>Deputy Welsh Minister</i>	15-20	0-2.5	322	282	17
Jocelyn Davies <i>Deputy Welsh Minister</i>	10-15	0-2.5	192	158	18
John Griffiths <i>Deputy Welsh Minister</i>	10-15	0-2.5	185	153	16
Gwenda Thomas <i>Deputy Welsh Minister</i>	10-15	0-2.5	198	178	15
<b>Officials</b>	Accrued pension at pension age as at 31/3/09 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/09	CETV at 31/3/08	Real increase in CETV
	£000	£000	£000	£000	£000
Sir Jon Shortridge <i>Permanent Secretary (to 30/04/08. Employed to 19/05/08)</i>	80-85 plus lump sum of 250-255	0-2.5 plus lump sum of 0-2.5	1,972	1,996	0
Dame Gillian Morgan <i>Permanent Secretary (from 01/05/08)</i>	70-75	70-75	965	0	(370)
Derek Jones <i>Senior Director (to 25/04/08)</i>	50-55 plus lump sum of 150-155	0-2.5 plus lump sum of 0-2.5	1,076	1,070	2
Huw Brodie <i>Director (to 20/03/09)</i>	35-40 plus lump sum of 105-110	0-2.5 plus lump sum of 2.5-5	643	575	16

<b>Officials</b>	Accrued pension at pension age as at 31/3/09 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/09	CETV at 31/3/08*	Real increase in CETV
	£000	£000	£000	£000	£000
Ann Lloyd <i>Senior Director (to 19/12/08)</i>	15-20 plus lump sum of 45-50	0-2.5 plus lump sum of 2.5-5	357	328	20
Richard Davies <i>Director</i>	55-60 plus lump sum of 165-170	2.5-5 plus lump sum of 7.5-10	1,318	1,157	55
Bernard Galton <i>Director</i>	45-50 plus lump sum of 145-150	2.5-5 plus lump sum of 7.5-10	941	814	53
Hugh Rawlings <i>Director</i>	40-45 plus lump sum of 130-135	0-2.5 plus lump sum of 2.5-5	997	904	10
Jeff Godfrey <i>Director</i>	30-35 plus lump sum of 90-95	0-2.5 plus lump sum of 2.5-5	546	487	16
Christine Daws <i>Director</i>	35-40 plus lump sum of 105-110	0-2.5 plus lump sum of 2.5-5	724	642	23
Michael Harrington <i>Director</i>	5-10	0-2.5	167	130	22
David Hawker <i>Senior Director (from 01/08/08)</i>	0-5	0-2.5	29	-	26
Emyr Roberts <i>Director</i>	30-35 plus lump sum of 100-105	2.5-5 plus lump sum of 10-12.5	627	519	60
Gareth Hall <i>Senior Director</i>	50-55	0-2.5	819	728	22

<b>Officials</b>	Accrued pension at pension age as at 31/3/09 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/09	CETV at 31/3/08*	Real increase in CETV
June Milligan <i>Director</i>	30-35 plus lump sum of 100-105	0-2.5 plus lump sum of 2.5-5	577	508	19
Tony Jewell <i>Director</i>	5-10	0-2.5	111	69	33
Matthew Quinn <i>Director</i>	25-30 plus lump sum of 75-80	0-2.5 plus lump sum of 5-7.5	407	340	35
Rory O'Sullivan <i>Director (from 23/03/09)</i>	30-35 plus lump sum of 95-100	0-2.5 plus lump sum of 0-2.5	730	727	1
Clive Bates <i>Director General (from 23/03/09)</i>	0-5	0-2.5	1	0	1
Dennis Gunning <i>Director (from 01/04/08 to 31/07/08)</i>	0-5	0-2.5	56	41	12

\*The CETV figure is different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values)(Amendment) Regulations 2008.

### **Civil Service Pensions**

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes: either a 'final salary' scheme (Classic, Premium, or Classic Plus); or a 'whole career' scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from 1 October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium, Classic Plus and Nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum, Classic Plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per Classic and benefits from October 2002 calculated as in Premium. In Nuvos a member builds up a pension based on his pensionable earnings during his period of scheme membership. At the end of

the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

### **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Scheme (Transfer Values)(Amendment) Regulations and do not take account of any actual or potential reduction in benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

### **Real increase in CETV**

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

**Dame Gillian Morgan**  
**Permanent Secretary and Principal Accounting Officer**  
**26 August 2009**



## STATEMENT OF ACCOUNTING OFFICERS' RESPONSIBILITIES

- 1 Under Section 131 of the Government of Wales Act 2006, the Welsh Ministers are required to prepare the consolidated resource account for the Welsh Assembly Government for the year ended 31 March 2009 in accordance with directions given to it by the Treasury. The Treasury direction requires the detailing of the resources acquired, held, or disposed of during the period.
- 2 The consolidated resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Welsh Assembly Government and the other entities within the group at the end of the period, and of their net operating cost, recognised gains and losses and cash flows for the financial period.
- 3 The Permanent Secretary is the Principal Accounting Officer (PAO) for the Welsh Ministers by virtue of Section 133 of the 2006 Act, with responsibility for the overall organisation, management and staffing of the Welsh Assembly Government. This includes responsibility for Welsh Assembly Government-wide systems in finance and other matters, where these are appropriate, and for the management of the Welsh Assembly Government's net cash requirement. She is also responsible for preparing and signing the Welsh Assembly Government's consolidated resource account.
- 4 In preparing the accounts the PAO is required to comply with the Financial Reporting Manual (FReM), and in particular to:
  - observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
  - make judgements and estimates on a reasonable basis;
  - state whether applicable accounting standards as set out in the FReM have been followed and disclose and explain any material departures in the accounts; and
  - prepare the accounts on a going concern basis.
- 5 Under Section 98 of the Government of Wales Act 1998 the Treasury were able to designate other members of the Welsh Assembly Government staff as Additional Accounting Officers. The PAO designated the Director of the NHS as Accounting Officer of the National Health Service in Wales. The work of the Local Health Boards in Wales is governed by separate authority, and the Chief Executives of each of the Local Health Boards are appointed as Accountable Officers by the Director of the NHS in Wales.
- 6 The PAO has designated the Chief Executive of HCW as Accounting Officer for that executive agency.
- 7 These appointments do not detract from the Permanent Secretary's overall responsibility as PAO for the Welsh Assembly Government accounts.

- 8 The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records, for safeguarding the Welsh Assembly Government's assets, and for taking reasonable steps to prevent and detect fraud and other irregularities, are set out in the Welsh Assembly Government Accounting Officers' Memorandum, issued by the Treasury.
- 9 The relationship between the PAO of the Welsh Assembly Government, and other Accounting Officers, as described in paragraphs 5 and 6 above, and their respective responsibilities, are set out in written agreements between the officials concerned.

## **STATEMENT ON INTERNAL CONTROL 2008-09**

### **1. Scope of Responsibility**

As Principal Accounting Officer, I have responsibility for maintaining a sound system of internal control which supports the achievement of the Welsh Assembly Government's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. I have delegated some of these responsibilities to the other Accounting Officers, as explained in the Statement of Welsh Assembly Government Accounting Officers' Responsibilities, the relationship between us being set out in a written statement.

Accountability arrangements in place include:

- the appointment of Non-Executive Directors to the Welsh Assembly Government's Strategic Delivery and Performance (SDPB) that during 2008/09 succeeded the Management Board;
- Corporate Governance Committee, chaired by a Non-Executive Director;
- work of both Internal & External Audit;
- regular meetings with/and reports from Additional Accounting Officers;
- assurance gained from annual internal control questionnaires completed by heads of department; and
- provision of training for Accounting Officers and for all staff exercising financial responsibilities.

As allowed for in s133 (2) of the Government of Wales Act 2006, I have designated Directors General (DG) with responsibility for programme expenditure as Additional Accounting Officers (AAO). From 1 April 2009, Directors General (DG) have been appointed and have taken on these roles as AAO. These responsibilities are set out in a formal memorandum and strengthen corporate governance arrangements further by placing personal responsibility with the designated AAOs for the propriety and regularity of the public finances for which they are answerable. The AAOs also have responsibility to see that appropriate advice is provided to Welsh Ministers on all matters of financial propriety and regularity and more broadly as to all considerations of prudent and economical administration, efficiency and effectiveness.

All Directors General are supported by their own corporate governance committees which monitor and review the risk, control and governance processes that have been established in the department and the associated assurance processes. I, however, retain overall responsibility for ensuring that appropriate internal controls are in place.

### **2. The Purpose of the System of Internal Control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Welsh Assembly Government policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in the Welsh Assembly Government for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

### **3. Capacity to Handle Risk**

As Principal Accounting Officer, I have taken personal responsibility for improving the Welsh Assembly Government's capacity to handle risk. We continue to work with HM Treasury to share good practise via the Risk Improvement Group. My Risk Improvement Manager supports senior management in ensuring that there is a clear and balanced account of risk judgements and management actions. To further build the capacity training has also occurred throughout the year, as business areas have consulted my Risk Improvement Manager for advice on specific issues. There is a risk management area on the Welsh Assembly Government's intranet site, which acts as the focal point for written advice, guidance, tools and good practice on risk management.

I have in place a risk management policy. It outlines the process of risk management that aims to:

- a) ensure that the Welsh Assembly Government's objectives are not adversely affected by significant risks that have not been anticipated;
- b) ensure achievement of outputs and outcomes and provide reliable contingency arrangements to deal with the unexpected which might put service delivery at risk;
- c) promote a more innovative, less risk averse culture in which the taking of appropriate risks in pursuit of opportunities to benefit the Welsh Assembly Government is encouraged;
- d) provide a sound basis for integrating risk management into our day to day decision making; and
- e) promote excellent corporate governance and management practices.

Our approach to risk management is set out in our framework document, Risk Essentials, which sets out in detail the processes by which risks are identified and managed within the Welsh Assembly Government.

Under this framework, departments are required to capture information on known risks on departmental risk registers (which include details of the risks, countermeasures and residual risk) and escalate concerns up the management chain as appropriate.

### **4. The Risk and Control Framework**

The main processes that we have in place for identifying, evaluating, and managing risk are:

- departmental risk registers – showing key risks across all areas of the Welsh Assembly Government. Each department has developed, monitors and takes ownership of its own risk register, underpinned by lower level risk registers;
- Strategic Delivery and Performance Board's risk register – which sets out the corporate risks facing the Welsh Assembly Government;
- regular review and update of departmental risk registers by the departments themselves;
- both the SDPB's Corporate Governance Committee and each of the DG Corporate Governance Committees monitor the operation and effectiveness of risk management processes; and
- the establishment of Information Asset Owners (IAO) responsible for identifying and managing information within each department and addressing information risks as they are identified.

Our management of risk is embedded in policymaking, planning and delivery by:

- awareness raising through delivery of a training module to key staff, currently being redeveloped with Eliesha, our training provider;
- development of a suite of policy skills and knowledge training course;
- establishment of a community of practice for project management experiences and good practice to be exchanged;
- training for project/programme managers and other staff who have an involvement in the management of risk;

- raising awareness of risk management with Welsh Ministers; and
- linking risk to the Welsh Assembly Government's Operational Plan and ultimately to *One Wales*.

Our risk environment involves managing risks that affect the public, and these are managed by:

- health and safety risk assessments, which are being embedded in divisional and departmental activity; and
- oversight of the Welsh Assembly Government's compliance with statutory functions by my Corporate Governance Committee on a quarterly basis.

To review the control environment I require each head of department within the Welsh Assembly Government to complete an internal control questionnaire to provide assurance that key internal controls are in place and operating effectively in every department.

My Additional Accounting Officers and I are fully supporting the IDEAS project which is a continuous improvement programme aimed at improving financial management across the Welsh Assembly Government, and addressing some of the weaknesses previously identified in its financial and procurement processes and procedures.

Where significant procurement is involved, the Office of Government Commerce (OGC) risk model is applied, and OGC gateway reviews are undertaken as required.

Major capital projects are managed through approved project management methodology, e.g. Projects in Controlled Environments (PRINCE 2). Project risk is assessed using the OGC Gateway Risk Potential Assessment model, and project risk registers are maintained for major capital projects.

The Welsh Assembly Government discharges its responsibilities for ensuring that Category 1 and 2 Responders discharge their duties defined in the Civil Contingencies Act 2004. It does this through the Wales Resilience Forum, chaired by the First Minister that oversees the activities of those organisations charged with preparing for, and responding to emergencies in Wales. The Welsh Assembly Government acts in a co-ordinating role preparing for wide area disruptive challenges that may affect Wales such as pandemic influenza.

## **5. Review of Effectiveness**

As Principal Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors; and the executive managers within the Welsh Assembly Government who have responsibility for the development and maintenance of the internal control framework, and for acting on comments made by the external auditors in their management letter and other reports. I have been advised of the implications of the result of my review of the effectiveness of the system of internal control by the SDPB and the Corporate Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Welsh Assembly Government has an Internal Audit Service, which submits regular reports to the Corporate Governance Committee, including the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement. The Corporate Governance Committee reports to the SDPB.

The opinion of the Head of Internal Audit, set out in his annual assurance report, is that the Welsh Assembly Government has a sound framework of control which provides substantial assurance regarding the effective and efficient achievement of its objectives. Some issues of concern have been identified, however. One limited departmental assurance report was provided during the year, for the

Department for Economy and Transport. This set out a substantial number of “significant” or “fundamental” audit recommendations and control issues. The majority of the “fundamental” recommendations arose from the review of Welsh Technium Centres. I am satisfied that progress is being made in addressing the weaknesses at the Technium Centres.

During 2008-09, the Head of Internal Audit brought to my attention that some departments have not implemented his recommendations on a timely basis and as a result, there was a backlog. I have asked the relevant Additional Accounting Officers to take action to address this matter and to report progress to the CGC.

Internal reviews have identified weaknesses in respect of grant schemes. These include inadequate monitoring, the keeping of insufficient records of expenditure and defrayment by third parties. In some cases, this has resulted in additional verification work. There is a risk that grant expenditure is not adequately evaluated, and that the Welsh Assembly Government may not get the best value for its spending. Work to strengthen grants management across the organisation is already underway, and will be enhanced by grants management work under the IDEAS programme.

During 2008-09, the focus of our risk management was the worsening economic downturn and budget planning in preparation for tighter future budgets. These activities are ongoing and are being managed through a range of policy and delivery actions to ensure that all risks are properly identified and minimised.

Government has put in place a core set of mandatory minimum measures to protect information in Government Departments, which requires me to assess our risk and ensure that appropriate mitigation strategies are in place. To comply with this requirement two new questions were added to the internal control questionnaire for 2008-09, designed to determine the extent to which departments had established a baseline of information assets, from which a more robust monitoring regime could be established, and the extent to which information security risk features within departmental risk management plans and processes.

These new questions, and the role of departmental Information Asset Owners, are newly established, and whilst responses by departments to the two questions is generally positive, and I am of the opinion that the work performed by departments to date has laid a good foundation on which to enhance information security risk management and processes, I consider that the Welsh Assembly Government is partially compliant in both of the areas. I will be expecting further improvement in 2009-10 by departments and will be asking IAS to assess progress as part of their normal audit work.

Based on my review of internal controls and all other information available to me, I am satisfied, subject to the issues raised in the preceding paragraphs, that the Welsh Assembly Government had in place during the year appropriate controls to support the achievement of its responsibility to secure economy, efficiency and effectiveness in its use of resources.

Similar information for Health Commission Wales (Specialist Services), the Local Health Boards and other subsidiary companies is disclosed in their respective accounts.

**Dame Gillian Morgan**  
**Permanent Secretary and Principal Accounting Officer**  
**26 August 2009**

## **THE CERTIFICATE AND REPORT OF THE AUDITOR GENERAL FOR WALES TO THE NATIONAL ASSEMBLY FOR WALES**

I certify that I have audited the consolidated financial statements of the Welsh Ministers (the ‘Welsh Assembly Government’ as constituted by the Government of Wales Act 2006) for the year ended 31 March 2009 under Section 131 of that Act. These comprise the Summary of Resource Outturn, the Operating Cost Statement, the Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement, and the Statement of Operating Costs by Welsh Assembly Government Aims and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that Report as having been audited.

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

The Principal Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report, and the financial statements in accordance with the Government of Wales Act 2006 and HM Treasury directions made there under and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Accounting Officers’ Responsibilities.

My responsibility is to audit the consolidated financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the consolidated financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government of Wales Act 2006. I report to you whether, in my opinion, the information which comprises the Permanent Secretary’s Report, Permanent Secretary’s Management Commentary and the unaudited part of the Remuneration Report, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition, I report to you if in my opinion the Welsh Assembly Government has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Welsh Assembly Government’s compliance with HM Treasury’s guidance, and I report if it does not. I am not required to consider whether this Statement covers all risks and controls, or to form an opinion on the effectiveness of the Welsh Assembly Government’s corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Permanent Secretary’s Report, the Permanent Secretary’s Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

## **Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the consolidated financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Principal Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Welsh Assembly Government's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the consolidated financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

## **Opinions**

In my opinion:

- the consolidated financial statements give a true and fair view, in accordance with the Government of Wales Act 2006 and directions made there under by HM Treasury, of the state of affairs of the Welsh Assembly Government's and the group's affairs as at 31 March 2009 and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government of Wales Act 2006; and
- information which comprises the Permanent Secretary's Report, Permanent Secretary's Management Commentary and the unaudited part of the Remuneration Report, is consistent with the financial statements.

## **Opinion on Regularity**

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

## **Report**

I have no observations to make on these financial statements.

Jeremy Colman  
Auditor General for Wales  
26 August 2009

24 Cathedral Road  
Cardiff  
CF11 9LJ



**Welsh Assembly Government  
Summary of Resource Outturn  
For the year ended 31 March 2009**

	<b>Budget 2008-09</b>	<b>Outturn 2008-09</b>	<b>Outturn compared with Budget</b>	<b>Outturn 2007-08</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>PROGRAMME RESOURCES</b>				
	<b>Net expenditure</b>	<b>Net expenditure</b>	<b>Variance</b>	<b>Net expenditure</b>
Health and Social Services	4,797,428	4,762,759	34,669	4,512,892
Social Justice & Local Government	3,378,039	3,367,139	10,900	3,302,125
Environment, Sustainability & Housing	736,072	713,748	22,324	657,134
Economy and Transport	1,626,034	1,617,077	8,957	1,315,668
Children, Education, Lifelong Learning & Skills	1,938,322	1,917,759	20,563	1,817,841
Rural Affairs	138,920	124,272	14,648	119,503
Heritage	143,445	142,880	565	147,677
Public Services and Performance	57,831	56,209	1,622	53,837
Central Administration	376,497	360,869	15,628	339,517
<b>Total Resource and Capital requirements</b>	<b>13,192,588</b>	<b>13,062,712</b>	129,876	12,266,194

**Explanation of Major Variances**

	<b>£000</b>
Health & Social Services – under-spend against the near-cash budget of £12 million, primarily on the prevention, primary care and adult social care budgets. The capital under-spend of £23 million is due to slippage on approved schemes in the All Wales Capital Programme.	34,669
Social Justice & Local Government – under-spend against the budget for Communities First £3 million and Fire & Rescue £6 million.	10,900
Environment, Sustainability & Housing – additional income of £10 million Housing Revenue Subsidy, an under-spend of £5million against a non cash provision, and the stock transfer being £3million less than forecast.	22,324
Children, Education & Lifelong Learning – under-spend against demand led Student Loans £9million with a corresponding under-spend against non cash for student loans £9million	20,563
Rural Affairs –underspend on Rural Development Plan £19million offset by additional Bovine TB compensation payments £5million	14,648
Central Administration – non cash pension variance £6million and cost of capital £3million, and contract under-spend of £7million.	15,628
Other departments	11,144
<b>Total</b>	<b>129,876</b>

**Welsh Assembly Government  
Net Cash Requirement 2008-09**

	<b>Note</b>	<b>2008-09</b>	<b>2007-08</b>
		<b>£000</b>	<b>£000</b>
Authorised for issue from Welsh Consolidated Fund		12,246,560	11,897,041
Funding drawn down	23	12,200,788	11,820,081
<b>Undrawn funding</b>		<b>45,772</b>	<b>76,960</b>

The Notes on pages 46 to 94 form part of these accounts.

**Operating Cost Statement**  
**For the year ended 31 March 2009**

	Note	Year ended 31 March 2009		RESTATED Year ended 31 March 2008	
		WAG £000	Consolidated £000	WAG £000	Consolidated £000
<b>PROGRAMME COSTS</b>					
Expenditure	6	13,963,585	14,061,701	13,034,581	13,158,534
Income					
Non EU Income	8	(1,230,017)	(1,315,628)	(1,184,192)	(1,261,395)
EU Income	8	(508,121)	(509,341)	(465,940)	(469,592)
		<b>(1,738,138)</b>	<b>(1,824,969)</b>	(1,650,132)	(1,730,987)
<b>Net Programme Costs</b>		<b>12,225,447</b>	<b>12,236,732</b>	11,384,449	11,427,547
<b>ADMINISTRATION COSTS</b>					
Staff Costs	4	239,512	246,128	234,189	239,972
Other Administration Costs	5	106,456	112,120	104,762	107,457
<b>Gross Administration Costs</b>		<b>345,968</b>	<b>358,248</b>	338,951	347,429
Administration Income	8	(4,732)	(4,276)	(4,451)	(3,680)
<b>Net Administration Cost</b>		<b>341,236</b>	<b>353,972</b>	334,500	343,749
Corporation tax		-	5	-	-
<b>NET OPERATING COST</b>		<b>12,566,683</b>	<b>12,590,709</b>	11,718,949	11,771,296

**Statement of Recognised Gains and Losses**  
**For the year ended 31 March 2009**

	Note	Year ended 31 March 2009		Year ended 31 March 2008	
		WAG £000	Consolidated £000	WAG £000	Consolidated £000
Net gain on revaluation of tangible assets	22	402,267	390,458	488,589	507,199
Donated Assets		-	(312)	-	(536)
EU deferred grant	20	-	-	2,154	2,154
Bad debt provision adjustment	19	-	-	1,304	1,304
Assets transferred to NHS Bodies		-	(2)	-	(31)
Actuarial (loss)/gain on other pension schemes	39b	(33,960)	(32,298)	23,330	24,250
		<b>368,307</b>	<b>357,846</b>	515,377	534,340
<b>Prior Year Adjustments</b>					
Roads prior year adjustment	37	39,240	39,240	218,500	218,500
<b>Gains and losses recognised since the last annual report</b>		<b>407,547</b>	<b>397,086</b>	733,877	752,840

The Notes on pages 46 to 94 form part of these accounts.

## Balance Sheet as at 31 March 2009

	Note	As at 31 March 2009		RESTATED As at 31 March 2008	
		WAG £000	Consolidated £000	WAG £000	Consolidated £000
<b>Fixed Assets</b>					
Intangible Assets	9	3,846	3,858	2,391	2,410
Tangible Assets	10	12,024,076	12,199,732	11,595,283	11,780,125
Investments	11	3,532,760	3,502,353	2,872,404	2,843,064
		<b>15,560,682</b>	<b>15,705,943</b>	14,470,078	14,625,599
<b>Current Assets</b>					
Development Assets	13	188,394	188,394	355,009	355,009
Stocks	14	25,040	25,191	13,789	13,992
Debtors due within one year	15	250,018	298,361	284,119	336,978
Short term assets & loans	11	-	7,002	-	7,357
Cash at bank and in hand	16	115,089	132,663	151,819	209,364
		<b>578,541</b>	<b>651,611</b>	804,736	922,700
Debtors due after more than one year	15	21,801	68,875	-	33,004
		<b>600,342</b>	<b>720,486</b>	804,736	955,704
<b>Creditors: amounts falling due within 1 year</b>	17	<b>(525,044)</b>	<b>(831,125)</b>	(542,666)	(848,916)
<b>Net Current Assets</b>		<b>75,298</b>	<b>(110,639)</b>	262,070	106,788
<b>Total Assets less Current Liabilities</b>		<b>15,635,980</b>	<b>15,595,304</b>	14,732,148	14,732,387
<b>Creditors: amounts falling due after more than one year</b>	17	<b>(11,202)</b>	<b>(40,461)</b>	(11,404)	(49,288)
<b>Provisions for Liabilities and Charges</b>	18	<b>(536,415)</b>	<b>(607,339)</b>	(478,348)	(543,929)
Pension fund deficits	39b	(72,330)	(74,162)	(42,460)	(42,741)
National Loans Fund Loans	29	(11,782)	(11,782)	(11,812)	(11,812)
		<b>15,004,251</b>	<b>14,861,560</b>	14,188,124	14,084,617
<b>Taxpayers' Equity</b>					
General Fund	19	9,925,639	9,656,689	9,485,828	9,242,838
EU Deferred Grant Reserve	20	16,241	16,241	12,322	12,322
Pension Fund Reserve	39b	(72,330)	(74,162)	(42,460)	(42,741)
Donated Assets	21	-	4,942	-	4,806
Revaluation Reserve	22	5,134,701	5,257,850	4,732,434	4,867,392
		<b>15,004,251</b>	<b>14,861,560</b>	14,188,124	14,084,617

**Dame Gillian Morgan**  
**Permanent Secretary and Principal Accounting Officer**  
**Date: 26 August 2009**

The Notes on pages 46 to 94 form part of these accounts.

**Cash Flow Statement**  
**For the year ended 31 March 2009**

	Note	Year ended 31 March 2009		Year ended 31 March 2008	
		WAG £000	Consolidated £000	WAG £000	Consolidated £000
Net cash outflow from operating activities	23	<b>(11,818,604)</b>	<b>(11,835,670)</b>	(11,255,701)	(11,272,030)
Capital expenditure and financial investment and associated receipts	23	<b>(436,050)</b>	<b>(459,403)</b>	(435,741)	(433,679)
Non operating receipts surrendered to Welsh Consolidated Fund		<b>12,362</b>	<b>12,362</b>	6,024	6,024
Payments of amounts due to the Welsh Consolidated Fund		-	-	(5,770)	(5,770)
EU Grant Deferral	20	<b>4,774</b>	<b>4,774</b>	2,154	2,154
Donations	21	-	<b>448</b>	-	29
Financing from Welsh Consolidated Fund	23	<b>12,200,788</b>	<b>12,200,788</b>	11,820,081	11,820,081
Financing movements with subsidiaries		-	-	-	22,141
<b>Increase/(Decrease) in cash in the year</b>		<b>(36,730)</b>	<b>(76,701)</b>	131,047	138,950

Notes to the Cash Flow Statement are at Note 23.

The Notes on pages 46 to 94 form part of these accounts.

**Consolidated Statement of Operating Costs by Welsh Assembly Government Aims and Objectives**  
**For the year ended 31 March 2009**

The 'One Wales' document outlines the aims and objectives.

	Year ended 31 March 2009			Year ended 31 March 2008		
	Gross £000	Income £000	Net £000	Gross £000	Income £000	Net £000
Objectives:						
▪ Learning for Life	1,898,379	(62,534)	1,835,845	1,713,721	(14,714)	1,699,007
▪ A Healthy Future	5,976,045	(1,185,306)	4,790,739	5,627,597	(1,072,503)	4,555,094
▪ A Prosperous Society	1,685,002	(185,602)	1,499,400	1,473,675	(288,360)	1,185,315
▪ A Fair and Just Society	3,453,110	(2,506)	3,450,604	3,394,556	(2,410)	3,392,146
▪ Living Communities	577,418	(93,603)	483,815	574,821	(104,227)	470,594
▪ A Sustainable Environment	679,500	(294,856)	384,644	564,286	(246,657)	317,629
▪ A Rich and Diverse Culture	150,500	(4,838)	145,662	157,307	(5,796)	151,511
	<b>14,419,954</b>	<b>(1,829,245)</b>	<b>12,590,709</b>	13,505,963	(1,734,667)	11,771,296

Note 33 explains the methodology used for the allocation of resources to Welsh Assembly Government objectives. The prior year has been re-classified following the change of objectives.

The Notes on pages 46 to 94 form part of these accounts.

## Notes to the Welsh Assembly Government Resource Accounts

### 1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2008–09 *Government Financial Reporting Manual (FReM)*. The accounting policies contained in the *FReM* follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

In addition to the primary statements prepared under UK GAAP, the *FReM* also requires the Welsh Assembly Government to prepare additional primary statements. The *Statement of Operating Cost by Departmental Aim and Objectives* and supporting note analyse the Welsh Assembly Government's income and expenditure by the objectives agreed with Ministers. The summary of Resource Outturn and supporting notes reconciles outturn to net operating cost, and resources to cash requirement.

Where the *FReM* permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Welsh Assembly Government for the purpose of giving a true and fair view has been selected. The Welsh Assembly Government accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The accounts include one departure from the *FReM*, which has been agreed with HM Treasury. Public Dividend Capital issued by the Welsh Assembly Government due to the creation of new NHS Trusts and written off due to the dissolution of existing NHS Trusts is taken to the General Fund rather than the Operating Cost Statement.

Financial instruments standards FRS 25, FRS 26 and FRS 29 have been adopted from 1 April 2008 with adjustments to the core account taken to the Operating Cost statement in year.

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of fixed assets at their value to the Welsh Assembly Government by reference to their current costs. The accounts comply with the Code of Practice contained in the *FReM*.

#### 1.2 Basis of Consolidation

These accounts comprise a consolidation of the core department, its executive agency, HCW, the 22 Local Health Boards, Design Commission for Wales (a Welsh Assembly Government owned company limited by guarantee), Finance Wales PLC, Welsh Development Management Ltd, International Business Wales Ltd, and Ryder Cup Wales 2010 Ltd. These consolidated companies produce and publish their own annual reports and accounts. Newport Unlimited (a company limited by guarantee in which the Welsh Assembly Government has a two-third share) is not consolidated within these financial statements as the company is financially 'dormant'. Hybu Cig Cymru – Meat Promotion Wales (a company limited by guarantee in which the Welsh Assembly Government is the sole member) has not been consolidated on grounds of materiality.

### 1.3 **Tangible fixed assets**

#### Land and buildings (including Dwellings)

The Welsh Assembly Government and its related bodies capitalise freehold property where it is retained for use by the organisation itself. The Welsh Assembly Government capitalises leasehold property where the original lease was for greater than 100 years and land & buildings surplus to requirements. Leased property, where the original lease was for less than 100 years, is treated as a revenue cost. Freehold land and buildings and leasehold land and buildings, where the original lease was for greater than 100 years, have been restated at current cost using professional valuations either every five years, or annually, with appropriate indices in intervening years for non annual valuations. The exceptions are: surplus land, which is included at its market value where held for immediate disposal; and properties of a specialised nature held at depreciated replacement cost. The indices used for 2008-09 were taken from the Investment Property Databank (IPD) UK Annual Index (2009).

#### Roads and Infrastructure

The Welsh Assembly Government has developed a model to estimate the value of the roads network. The roads network consists of the major trunk roads and associated structures in Wales. The model observes the principles of the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. In determining the gross valuation the Welsh Assembly Government has capitalised the annual cost of maintaining the network. New roads are included in additions when the structural details have been provided by the Agent authority, which may be some time after the road has been opened. The VAT rate has been held at 17.5%, rather than the temporary 15% rate in the model to avoid arbitrary fluctuations.

#### Vehicles, Information Technology, Plant and Equipment and Fixtures and Fittings

Plant and equipment, information technology, fixtures and fittings, and vehicles have been restated at their net current replacement cost using the appropriate indices from the Producer Price Indices – MM22, produced by the Office for National Statistics.

#### Heritage Assets

The Welsh Assembly Government holds a number of non-operational heritage assets where the cultural, educational and historical value is unlikely to be fully reflected in a financial value derived from a market mechanism or price. These assets are of a specialist nature and reliable valuations either cannot be obtained or could only be obtained at a prohibitive cost. The Welsh Assembly Government therefore does not capitalise these assets in the accounts. Further information on the non-operational heritage assets owned by the Welsh Assembly Government can be found at note 39 to the consolidated financial statements.

The minimum level for capitalisation of individual assets and grouped assets is £5,000.

### 1.4 **Intangible Fixed Assets**

Local Health Boards capitalise computer software licences as intangible fixed assets, where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic life.

The Welsh Assembly Government capitalises computer software licenses where expenditure of at least £5,000 has occurred. Website development costs are not capitalised as the website is not capable of directly generating income or delivering services.

## 1.5 Depreciation

The depreciation charge for the roads network consists of three elements:

- the annual maintenance charge;
- an estimate of the permanent deterioration in the condition of the network in the year (which has been calculated by the computer model, based on latest actual data on the condition of the network referred to in the fixed assets note above); and
- calculated depreciation of the structures.

Depreciation is provided at rates calculated to write-off the value of other intangible and tangible fixed assets by equal instalments over their estimated useful lives.

Lives are in the following ranges:

Leasehold land & buildings	Remaining life
Dwellings	Remaining life
Freehold buildings	up to 60 years
Information technology	3 to 5 years
Intangible software assets	3 to 5 years
Plant & equipment	3 to 20 years
Fixtures & fittings	5 to 10 years
Motor vehicles	5 to 10 years

Freehold Land and Assets under construction are not depreciated.

Impairments of tangible fixed assets are charged to the operating statement in the period in which they have occurred.

## 1.6 Donated Assets

Donated tangible fixed assets are capitalised at their valuation on receipt. The value of donated tangible assets and the donated element of part-donated assets are reflected in a donated asset reserve. This reserve is credited with the value of the original donation and any subsequent revaluation and indexation; an amount equal to the depreciation charge (for assets used in the course of the business) is released from this reserve to the Operating Cost Statement.

## 1.7 Research and Development

Research and development expenditure is charged to the Operating Cost Statement in the year in which it is incurred, except where it relates to a clearly defined project and where the benefits can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over the period expected to benefit from the project.

## 1.8 Works to Properties in Care

Expenditure on the fabric of properties in the care but not ownership of the Welsh Assembly Government is charged to the Operating Cost Statement as it is incurred. Subsequent expenditure on the fabric of ancillary structures at properties in care is treated in the same manner.



## 1.9 **Investments and Interests in Joint Ventures**

Loans and Public Dividend Capital (PDC) issued to public bodies outside of the resource accounting boundary are shown at historical cost less any necessary impairment.

Investments are shown at fair value. Interests in unincorporated joint ventures are shown at fair value.

Short term investments are shown as current assets, and are valued at the lower of cost and net realisable value.

Student loans are adjusted by estimating future write-offs in respect of the non-recovery of loans, and making a provision – see Note 1.25 Provisions.

## 1.10 **Development Assets**

Development assets, consisting of land and buildings, are shown at the lower of historic cost and professional asset valuation, any carrying value being written off to the Operating Cost Statement.

## 1.11 **Stock**

Stock is valued at the lower of replacement cost and net realisable value, with the exception of oak wood, which is valued at current replacement cost. The Welsh Assembly Government does not consider there to be a material difference between the replacement cost and historic cost of stocks. Stocks with a finite useful life are written-off at the end of their lives.

## 1.12 **Income**

Operating income relates directly to the operating activities of the Welsh Assembly Government and the related bodies.

Income from the European Union in respect of the European programmes, funds and initiatives is brought to account in line with grants payable in respect of these amounts and is shown in Note 8 These funds are paid to the Wales European Funding Office (which is part of the Department for The Economy and Transport) . These funds are then transferred to the relevant department within the Welsh Assembly Government. These transfers are between departments and are accounted for within Note 6.

Additionally, income comprises the amounts, excluding VAT, receivable from admissions to monuments and sale of publications and souvenirs.

Health income includes Health Funding Contributions paid over by HM Revenue and Customs which are subject to audit by the National Audit Office. The audit of these transactions had not been completed by the time these accounts were produced. Any adjustments arising from the audit will therefore be made in future accounting periods. These are not likely to be material.

## 1.13 **Administration & Programme expenditure**

The Operating Cost Statement is analysed between administration and programme income and expenditure. Administration costs reflect the cost of running the Welsh Assembly Government and

HCW, together with associated operating income. Programme costs reflect all expenditure by the Local Health Boards and non-administration costs, (including payments of grants and other disbursements) by the Welsh Assembly Government and HCW.

#### **1.14 Cost of Capital charge**

A charge, reflecting the cost of capital utilised by the Welsh Assembly Government and its related bodies, is included in operating costs. The charge for each item in the balance sheet is calculated on the basis of the average net book value of that item over the year. The charge is calculated at the government's standard rate for 2008-09 of 3.5% per cent in real terms on all assets less liabilities, except for:

- cash balances held by the Office of the Paymaster General;
- amounts repayable from the Welsh Consolidated Fund included in debtors;
- amounts owing to the Welsh Consolidated Fund included in creditors;
- donated assets and heritage assets; and
- Student Loans where the applicable rate is 2.2%.

#### **1.15 Value Added Tax (VAT)**

In general the Welsh Assembly Government cannot recover VAT and therefore expenditure is inclusive of VAT. Expenditure on contracted-out services where VAT is recoverable is accounted for net of VAT.

#### **1.16 Pensions**

The majority of present and past employees of the Welsh Assembly Government and HCW are covered by the provisions of the Civil Service Pension Scheme which are described in Note 39a. The defined benefit elements of the scheme are unfunded and non-contributory except in respect of dependants' benefits. The Welsh Assembly Government recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payments to the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Welsh Assembly Government recognises the contributions payable for the year.

Former Welsh Development Agency staff and current Finance Wales PLC staff contribute to the Local Government Pension Scheme administered by Rhondda Cynon Taff County Borough Council, which is a multi-employer funded scheme. Further information regarding the Agency's pension scheme is provided in Note 39b.

Former Wales Tourist Board staff contributed until 1 February 2009 to the British Tourist Boards' Pension Scheme. This is a funded defined benefit scheme based on final pensionable pay. The assets are held by the Pension Scheme under a cash accumulation contract with the Prudential Assurance Company Ltd. From 1 February 2009 the active members became members of PCSPS Premium. Further information is provided in Note 39 and 39c.

Former Dysg staff have retirement benefits provided by the Teachers Pension Agency and the Local Government Superannuation scheme.

Former Health Professions Wales staff participate in a joint superannuation scheme (FPS 1655), together with the Nursing and Midwifery Council, NHS Education for Scotland, Department of Health and the Nurses Welfare Trust.

Former Tir Gofal staff participate in the Gwynedd Pension Fund and the Principal Civil Service Pension Scheme (PCSPS).

Former CAF/CASS staff participate in the West Yorkshire Pension Scheme administered by the City of Bradford Metropolitan District Council, and the PCSPS.

Employees of Local Health Boards participate in the NHS pension scheme. The NHS pension scheme is a multi employer, unfunded, defined benefit scheme. As its share of underlying scheme assets and liabilities cannot be identified, it is accounted for as a defined contribution scheme, with the costs equal to contributions payable to the scheme for the accounting period. The provisions of this Scheme are laid down in the NHS Pension Scheme Regulations 1995 (SI 1995 No. 300). Employer contributions are set at a rate specified by the Welsh Assembly Government as advised by the Government Actuary. The contribution rate for 2008-09 was 14% (2006-07: 14%). These costs are included in Note 6 – Programme costs.

#### **1.17 Early departure costs**

The Welsh Assembly Government is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Welsh Assembly Government provides in full for this cost when the early retirement programme has been announced and is binding. The Welsh Assembly Government may, in certain circumstances, settle some or all of its liability in advance by making a payment to the Paymaster General's account at the Bank of England for the credit of the Civil Superannuation Vote. Similar arrangements are in place for LHB employees who retire early.

For pre-merger employees and ex-employees of the former Welsh Development Agency in the Rhondda Cynon Taff Pension Scheme, the Welsh Assembly Government meets the additional cost of benefits beyond the scheme benefits in respect of employees who retire early. No provision had been made by the Welsh Development Agency for future costs.

#### **1.18 The Royal Commission for Ancient and Historical Monuments (Wales)**

The Royal Commission is an executive non-departmental public body empowered by Royal Warrant to maintain a national record of ancient and historical sites in Wales. The Welsh Assembly Government, under directions from Treasury, operates the finance function of the Commission and consequently includes its expenditure in these accounts.

#### **1.19 Operating leases**

Expenditure on non-capitalised operating leases, including land and buildings, is charged to the operating statement in the period to which it relates.

#### **1.20 Grants payable and recoverable**

The Welsh Assembly Government provides grants to sponsored bodies and external organisations.

In accordance with the Financial Reporting Manual, matters such as the period covered by the claims, the timing of the submission of the claims and the timing of the payments were taken into consideration when establishing the entitlement to grant and the basis for the creditor and debtor calculations.

Certain grant claim expenditure may be subject to scrutiny by local authority auditors. Audit of the majority of these claims had not been completed by the time these accounts were produced. Any adjustments arising from the audit will therefore be made in future accounting periods. These are not likely to be material.

The Single Payment Scheme (Common Agriculture Policy payments to farmers) expenditure has been accounted for in the year in which payments were made. Creditors have been included based on an estimate of payments still to be made at 31 March 2009, with an equal amount of debtor reflecting the value to be reimbursed by the European Community.

#### **1.21 Private Finance Initiative / Public Private Partnership transactions**

Where the substance of the transaction is that the risks and rewards of ownership remain with the Welsh Assembly Government, the assets and liabilities remain on the Welsh Assembly Government balance sheet. Where the risks and rewards are transferred to the private sector the transaction is accounted for in the operating statement through service charges.

#### **1.22 Provision for Doubtful Debts**

The Welsh Assembly Government provides in full for doubtful debts after 6 months unless there is reasonable certainty that the debt will be paid. For Regional Selective Assistance grants provisions are made on receipt of notification that the company assisted is unlikely to meet its repayment commitment.

#### **1.23 Exchange Rate Gains and Losses**

The Wales European Funding Office, which is part of the Department for Economy and Transport, requests programme funding from the European Commission at the Euro equivalent level to the sterling required and pays out funds in sterling. The exchange gain or loss on these transactions is calculated and accounted for only at the end of each Programme period.

Other transactions in foreign currencies are translated into sterling at the rate of exchange ruling at that date. Exchange differences are taken into account in the Operating Cost Statement.

#### **1.24 Losses and Special Payments (NHS)**

The cost of clinical negligence cases and other losses and special payments are brought to account when there is reasonable expectation of settlement. Disputed cases are recorded as contingent liabilities.

#### **1.25 Provisions**

##### **Staff Costs**

The Welsh Assembly Government is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. Ex-chairs of ex-Assembly

Sponsored Public Bodies had pension liabilities which transferred from the merger, and are fully provided for.

The Welsh Assembly Government has a liability for the resolution of employment tribunal cases referred to as the 'Astley' case. Some of the cases were resolved in April 2008, and the remaining unresolved cases are included on the basis of the best estimate of expenditure required to settle the obligations.

### **NHS and LHB Provisions**

The Local Health Boards provide for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms.

The liability for the Welsh Risk Pool within the Department for Health and Social Services is treated as a provision.

### **Student Loans**

Student loans made under the terms of the student loans scheme are subsidised loans. Provisions are established to reflect:

- i) estimated future write-offs for non-recovery; and
- ii) over the whole life of the loan, the difference between the cost of capital charge and the interest earned.

### **1.26 Deferred Income**

Deferred Income is recognised where income has been received with an obligation to use the monies for a specific purpose, but these monies have not yet been spent.

### **1.27 National Non-Domestic Rating**

To avoid the need for transfers of National Non-Domestic Rating (NNDR) monies between local authorities and the Welsh Assembly Government (and between the Welsh Assembly Government and the Welsh Consolidated Fund), the Welsh Assembly Government takes account of the NNDR entitlement of each local authority and nets the Revenue Support Grant (RSG) payable when calculating the actual RSG payments. The RSG payments are then treated as grant-in-aid and are accounted for on a cash basis.

### **1.28 Financial Instruments**

See Note 40

## 2. Reconciliation of outturn to net operating cost 2008-09

	<b>Outturn 2008-09</b>	<b>Outturn 2007-08</b>
	<b>£000</b>	
Net resource outturn	13,062,712	12,266,194
Less Capital, Loans & adjustments	(496,029)	(547,245)
<b>Net operating cost</b>	<b>12,566,683</b>	<b>11,718,949</b>

## 3. Reconciliation of resources to cash requirement 2008-09

	<b>Budget 2008-09</b>	<b>Outturn 2008-09</b>	<b>Outturn compared with Budget</b>	<b>Outturn 2007-08</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net resource outturn</b>	<b>13,192,588</b>	<b>13,062,712</b>	129,876	12,266,194
Capital charges	(657,636)	(494,646)	(162,990)	(524,387)
Impairments	(137,070)	(262,214)	125,144	(19,912)
Movements in provisions	(104,165)	(54,694)	(49,471)	(24,264)
Opening debtor/creditors adjustments	-	114	(114)	(2,390)
Movements in working capital	(47,157)	38,163	(85,320)	(44,418)
Removal of amounts not part of resource outturn	-	(56,079)	56,079	66,451
Other	-	4,162	(4,162)	(26,055)
<b>Net cash requirement</b>	<b>12,246,560</b>	<b>12,237,518</b>	9,042	11,691,219

#### 4. Staff Numbers and Costs

The average number of whole-time equivalent persons employed (including senior management and special advisers) during the period was 9,762 (2007-08:9,522).

The breakdown of this figure is as follows:

	<b>Special Advisers</b>	<b>Officials</b>	<b>Other</b>	<b>Total</b>
<b>Total</b>	7	8,858	897	<b>9,762</b>
<b>Of which:</b>				
<b>WAG</b>	7	5,297	751	<b>6,055</b>
<b>LHBs</b>	-	3,426	141	<b>3,567</b>
<b>HCW</b>	-	42	5	<b>47</b>
<b>Subsidiaries</b>	-	93	-	<b>93</b>
 Objectives		<b>Total</b>	<b>Officials</b>	<b>Other</b>
▪ Learning for Life		<b>1,035</b>	869	166
▪ A Healthy Future		<b>4,618</b>	4,255	363
▪ A Prosperous Society		<b>1,772</b>	1,654	118
▪ A Fair and Just Society		<b>290</b>	243	47
▪ Living Communities		<b>129</b>	104	25
▪ A Sustainable Environment		<b>1,315</b>	1,183	132
▪ A Rich and Diverse Culture		<b>596</b>	550	46
<b>Subtotal</b>		<b>9,755</b>	<b>8,858</b>	<b>897</b>
▪ Special Advisors		7		
<b>Total</b>		<b>9,762</b>		

The aggregate payroll costs for staff and HCW staff were as follows (the cost of LHB staff is included within Note 6 – Programme Costs):

	<b>Officials</b> <b>£000</b>	<b>Special</b> <b>Advisers</b> <b>£000</b>	<b>*Other</b> <b>Staff</b> <b>£000</b>	<b>Year ended</b> <b>31 March</b> <b>2009</b> <b>Total</b> <b>£000</b>	Year ended 31 March 2008 Total £000
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Salaries	195,794	141	12,408	<b>208,343</b>	194,222
Social Security Costs	16,768	28	438	<b>17,234</b>	16,199
Other Pension Costs	36,943	74	789	<b>37,806</b>	42,249
<b>Sub Total</b>	<b>249,505</b>	<b>243</b>	<b>13,635</b>	<b>263,383</b>	252,670
Less:					
Recoveries in Respect of Outward Secondments	(2,294)	-	(59)	<b>(2,353)</b>	(3,884)
Recharged to programme costs	(12,550)	-	(2,352)	<b>(14,902)</b>	(8,814)
<b>Total net costs</b>	<b>234,661</b>	<b>243</b>	<b>11,224</b>	<b>246,128</b>	239,972

\*The social security and pension costs for temporary and seconded staff under the core figures for other staff have been included in salaries as they are invoiced on a gross basis.

Salaries include gross salaries, performance bonuses payable, reserved rights to London Weighting or London allowances, recruitment and retention allowances, and private office allowances.

Salaries of Welsh Ministers are paid by the National Assembly for Wales Commission and are reflected in those accounts.

Pension information for the three main schemes covering employees is provided in Note 39.

Similar information for HCW, LHBs and subsidiary companies is disclosed in their respective accounts.



## 5. Other Administration Costs

	Year ended 31 March 2009		Year ended 31 March 2008	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
Accommodation	18,397	18,480	16,140	16,191
Central administration	22,116	22,979	23,756	24,611
Rentals under operating leases				
- accommodation	7,883	7,883	7,385	7,186
- hire of vehicles and office equipment	584	584	957	957
Travel, subsistence and hospitality	8,276	8,542	9,855	10,112
IT & Telecommunications	33,304	33,314	22,535	22,547
Audit Fees	471	632	440	574
Relocation costs*	390	390	434	434
Other Expenses	8,256	11,326	8,661	11,582
Gain on exchange rate	(201)	(201)	(71)	(71)
	<b>99,476</b>	<b>103,929</b>	90,092	94,123
Non Cash Items:				
Depreciation	10,454	10,494	7,500	7,553
Cost of capital charge	374	(202)	3,008	2,444
Deficit on revaluation	-	196	-	-
(Gain)/loss on disposal of fixed assets	(18)	(18)	5	5
Merger and other provisions	-	-	(8)	(8)
Provision for early retirement and pension costs	260	260	1,695	1,695
Pension finance*	(4,090)	(2,539)	2,470	1,645
	<b>6,980</b>	<b>8,191</b>	14,670	13,334
<b>Total Other Administration Costs</b>	<b>106,456</b>	<b>112,120</b>	104,762	107,457

\* these costs are subject to UK taxation

## 6. Programme Costs

	Year ended 31 March 2009		Year ended 31 March 2008	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
<u>Programme expenditure:</u>				
Health and Social Services (a)	5,657,157	5,726,494	5,248,793	5,342,687
Social Justice and Local Government	3,368,033	3,368,033	3,307,502	3,307,502
Environment, Sustainability & Housing	807,163	806,872	744,546	744,244
Economy and Transport (b)	962,535	960,756	1,030,646	1,029,148
Children, Education, Lifelong Learning and Skills	1,701,970	1,701,970	1,567,624	1,567,624
Rural Affairs	418,811	418,811	363,786	363,786
Heritage	146,150	146,150	156,557	156,557
Public Services & Performance	40,870	40,870	37,226	37,226
Match funding grants	2,593	2,593	-	-
Other Ministerial Services	-	-	2,014	2,014
LHB Audit Fee	-	2,007	-	1,956
	<b>13,105,282</b>	<b>13,174,556</b>	12,458,694	12,552,744
<u>Non-Cash Costs:</u>				
Cost of Capital	494,272	490,469	461,559	458,404
Depreciation	80,794	85,935	(58,288)	(52,025)
Released from Donated Asset Reserve	-	(238)	-	(565)
Impairment and write-off of tangible fixed assets	31,718	32,158	19,226	20,130
Impairment of loans	(2,685)	(2,685)	687	687
Impairment development assets	142,789	142,789	-	-
Profit on disposal of development assets	(7,219)	(7,219)	(10,121)	(10,121)
(Profit)/loss on disposal of fixed assets	189	105	(118)	(1,316)
Loss on sale of investments	-	(6)	-	-
Deficit on revaluation of joint ventures	-	-	-	(9)
Deficit on revaluation of development assets	-	-	43,714	43,714
Investment diminution Finance Wales	-	10,492	-	4,819
Student loans non cash	26,489	26,489	21,502	21,502
Increase/ (Decrease) in Provisions	92,811	109,711	98,145	120,989
Release of EU Grant	(855)	(855)	(419)	(419)
	<b>858,303</b>	<b>887,145</b>	575,887	605,790
	<b>13,963,585</b>	<b>14,061,701</b>	13,034,581	13,158,534

a. This note reflects the consolidated programme costs of the Welsh Assembly Government with the exception of the Local Health Boards where all costs are included.

b. Includes £55,526,000 (2007-08: £87,373,000) classed as depreciation

## 7. Funding to the Auditor General for Wales and audit fees

The amount payable to the Auditor General for placing an opinion on the consolidated financial statements of the Welsh Assembly Government for 2008-09 is £ 471,261 (2007-08: £440,000) and has been included in the audit fees disclosed at Note 5.

## 8. Operating Income

	Year ended		*RECLASSIFIED	
	31 March 2009		Year ended	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
<b>Programme Income</b>				
Non-EU Income:				
Health and Social Services	1,104,945	1,183,815	998,947	1,069,044
Economy and Transport	16,896	23,973	54,376	61,482
Environment, Sustainability & Housing	93,415	93,415	105,837	105,837
Heritage	4,789	4,789	5,684	5,684
Children, Education, Lifelong Learning	8,105	8,105	13,498	13,498
Other programme income	1,074	738	812	812
	<b>1,229,224</b>	<b>1,314,835</b>	1,179,154	1,256,357
<b>Income outside the supply process</b>				
Consolidated Fund Extra Receipts	793	793	5,038	5,038
	<b>1,230,017</b>	<b>1,315,628</b>	1,184,192	1,261,395
EU Income:				
Common Agricultural Policy	291,504	291,504	240,836	240,836
European Structural Funds Programmes	216,617	217,837	225,104	228,756
	<b>508,121</b>	<b>509,341</b>	465,940	469,592
	<b>1,738,138</b>	<b>1,824,969</b>	1,650,132	1,730,987
<b>Administration Income</b>				
ICT charge to Assembly Commission	2,343	2,343	1,917	1,917
Fees & charges	1,933	1,933	1,682	1,457
Notional charge to HCW	456	-	446	-
Other income	-	-	406	306
	<b>4,732</b>	<b>4,276</b>	4,451	3,680
	<b>1,742,870</b>	<b>1,829,245</b>	1,654,583	1,734,667

\*Income has been reclassified from categories of income to departmental income in line with outturn.

## 9. Intangible fixed assets

	Year ended 31 March 2009		Year ended 31 March 2008	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
<b>Gross replacement cost</b>				
At 1 April	5,065	5,181	4,107	4,223
Opening balance correction	(118)	(118)	-	-
Additions	2,394	2,394	958	958
Reclassifications	1,267	1,267	-	-
<b>At 31 March</b>	<b>8,608</b>	<b>8,724</b>	5,065	5,181
<b>Amortisation</b>				
At 1 April	2,674	2,771	1,486	1,567
Opening balance correction	(118)	(118)	-	-
Charged in year	2,206	2,213	1,188	1,204
Disposals	-	-	-	-
<b>At 31 March</b>	<b>4,762</b>	<b>4,866</b>	2,674	2,771
<b>Net Book Value at 31 March</b>	<b>3,846</b>	<b>3,858</b>	2,391	2,410
Net Book Value at 1 April	2,391	2,410	2,621	2,656

The Welsh Assembly Government has a programme of renewing IT assets with its contracted supplier Merlin. These assets are held as Assets under Construction in tangible assets during the roll-out of equipment. Once brought into use, the assets are reclassified into tangible and intangible components, with the intangible element identified in the reclassification figures above.

## 10. Tangible fixed assets

	<b>Roads &amp; Infrastructure</b>	<b>Land &amp; Buildings Exc Dwellings</b>	<b>Dwellings</b>	<b>Vehicles</b>	<b>Information Technology</b>	<b>Plant &amp; Equipment</b>	<b>Fixtures &amp; Fittings</b>	<b>Payments on Account &amp; Assets under Construction</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation</b>									
At 1 April 2008 Restated**	12,731,730	264,517	2,569	688	28,010	19,526	10,043	352,039	13,409,122
Additions	-	17,060	-	-	724	557	1,868	108,874	129,083
Transfers	(31,614)	36,601	-	252	30	153	45	(414)	5,053
Disposals	-	(1,946)	-	(99)	(57)	(740)	(28)	-	(2,870)
Impairments	(19,222)	(12,995)	-	-	(9)	-	-	-	(32,226)
Revaluations	584,214	(29,932)	(268)	26	1	225	400	22,604	577,270
Reclassification	81,421	493	-	-	21,065	-	-	(104,246)	*(1,267)
<b>At 31 March 2009</b>	<b>13,346,529</b>	<b>273,798</b>	<b>2,301</b>	<b>867</b>	<b>49,764</b>	<b>19,721</b>	<b>12,328</b>	<b>378,857</b>	<b>14,084,165</b>
<b>Depreciation</b>									
At 1 April 2008 Restated**	1,563,200	8,157	33	342	21,667	9,958	3,009	22,631	1,628,997
Charged in year	135,279	6,019	37	106	6,073	1,144	1,084	-	149,742
Disposals	-	(638)	-	(93)	(57)	(740)	(28)	-	(1,556)
Transfer	(4,692)	-	-	-	-	-	-	-	(4,692)
Impairments	7,608	(36)	-	-	41	-	-	-	7,613
Revaluations	96,821	(1,381)	(12)	10	-	160	87	8,644	104,329
<b>At 31 March 2009</b>	<b>1,798,216</b>	<b>12,121</b>	<b>58</b>	<b>365</b>	<b>27,724</b>	<b>10,522</b>	<b>4,152</b>	<b>31,275</b>	<b>1,884,433</b>
<b>Net Book Value</b>	<b>11,548,313</b>	<b>261,677</b>	<b>2,243</b>	<b>502</b>	<b>22,040</b>	<b>9,199</b>	<b>8,176</b>	<b>347,582</b>	<b>12,199,732</b>
<b>At 31 March 2009</b>									
Net Book Value At 31 March 2008 Restated	11,168,530	256,360	2,536	346	6,343	9,568	7,034	329,408	11,780,125

\* see note 9 Intangible assets

\*\* see note 37 Prior Year adjustments

Most of the freehold land and buildings (with exceptions noted below) were valued on 31 March 2005 by GVA Grimley, Chartered Surveyors, on the basis of open market value for existing use in accordance with the 'Appraisal and Valuation Manual', produced jointly by the Royal Institute of Chartered Surveyors, the Incorporated Society of Valuers and Auctioneers and the Institute of Revenues Rating and Valuation. Long leaseholds (over 100 years) are capitalised on the same basis as above. Specialised properties are valued on a depreciated replacement cost basis, in accordance with the 'Appraisal and Valuation Manual', produced jointly by the Royal Institute of Chartered Surveyors, the Incorporated Society of Valuers and Auctioneers and the Institute of Revenues Rating and Valuation.

Properties and land managed by the Department for Economy and Transport and CADW were valued on an annual basis by King Sturge, Chartered Surveyors during 2008-09.

In intervening financial years, between formal 5 yearly valuations, freehold land and buildings are valued using latest available indices at March in each financial year. IT, plant and equipment are valued on the basis of the monthly indices, provided by the Office for National Statistics, for each asset class.

The net value of detrunked roads transferred under 'disposals/write-offs' was £26,923,000 (2007-08: £nil). Payments on Account include an amount for the A55 PFI scheme.

Accounting requirements require details of PFI and finance leased assets which are as follows:

	<b>Gross amount</b>	<b>Cumulative depreciation</b>	<b>In year depreciation</b>
	<b>£000</b>		<b>£000</b>
Roads A55 scheme	<b>177,296</b>	<b>31,274</b>	<b>8,643</b>
Buildings – Merthyr office	<b>7,923</b>	<b>308</b>	<b>55</b>

Of the land & buildings figure, £102 million (£54 million land and £48m buildings) relates to residual estate held by Powys LHB, which is then consolidated into these accounts. The estate is comprised of properties previously owned by former Health Authorities and now registered in the name of the Welsh Assembly Government. The properties are not owned by Powys LHB but are held either for sale or are occupied by other health organisations across Wales. These properties will transfer to new organisations on 1 October 2009.

## 11. Loans and Investments

	<b>Balance at 1 April 2008</b>	<b>Capitalised interest/ Additions/ Issues</b>	<b>Disposals/ Repayments</b>	<b>Financial instruments Fair Values</b>	<b>Adjustments</b>	<b>Balance at 31 March 2009</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Public Dividend Capital	1,552,610	188,195	(71,847)	-	*348,019	<b>2,016,977</b>
Investments	33,962	5,811	(20)	(1,085)	** (3,821)	<b>34,847</b>
Interests in Joint Ventures	10,905	7,317	(102)	3,771	** (196)	<b>21,695</b>
Mortgages & other loans	3,241	3,040	(3,653)	-	-	<b>2,628</b>
Student Loans	1,242,346	247,521	(48,463)	-	*** (15,198)	<b>1,426,206</b>
<b>Total</b>	<b>2,843,064</b>	<b>451,884</b>	<b>(124,085)</b>	<b>2,686</b>	<b>328,804</b>	<b>3,502,353</b>

\* The adjustment is due to the merger during 2008-09 of 9 NHS Trusts to form 4 new NHS Trusts. £925,794,000 has been extinguished on the dissolution of Bro Morgannwg, Carmarthen, Ceredigion and Mid Wales, Conwy and Denbighshire, North East Wales, North Glamorgan, Pembrokeshire and Derwen, Pontypridd and Rhondda, and Swansea NHS Trusts. £1,273,813,000 has then been established on the formation of Abertawe Bro Morgannwg, Cwm Taf, Hywel Dda and North Wales NHS Trusts. The Welsh Ambulance Service Net Asset Value is lower than the value of the loan, but the value is maintained in the Welsh Assembly Government accounts at its original book value.

\*\* Subsidiary company Finance Wales provisions.

\*\*\* The adjustment is due to timing differences to the way that repayments via Customs and Revenue are treated by the Student Loans Company and the Welsh Assembly Government.

The Welsh Assembly Government issues financial instruments, in particular loans, to other public sector bodies in Wales such as NHS bodies. This lending occurs as part of its normal course of activities and the Welsh Assembly Government does not undertake any trading activity in these financial instruments. The Welsh Assembly Government has taken advantage of the exemption available for short-term debtors and creditors. For issues of public dividend capital, fair value was calculated as the net assets of the recipient body (stated after deducting any provisions for liabilities and charges) less the amount of any loan included in the balance sheet. Other loans were discounted over their remaining life using the National Loans Fund rate applicable to the terms of the repayment (between 1.67% and 3.1%).

The above interest in joint venture projects have been independently assessed by King Sturge Chartered Surveyors. The joint venture projects included in the above valuation have been undertaken in the following locations:

Cleppa Park Phase II  
 New Duffryn Agreement  
 Hawtin Business Park, Blackwood  
 MediCentre, Heath Hospital  
 St Asaph Business Park  
 Parc Hendre  
 Parc Hendre, Ammanford (Spec Units)  
 Barry Waterfront  
 Llanelli Gate, Dafen  
 Cross Hands West  
 Swansea Town Centre  
 Swansea Vale  
 Cleddau Reach  
 Rhyd-y-car, Merthyr  
 Royal Dockyard, Pembroke Dock  
 Baglan Energy Park Phase I

Baglan Energy Park Phase II  
 Former Coal Stoking Depot, Mountain Ash  
 Station Yard, Aberdare  
 53 Margaret St, Abercynon  
 Phonetronics, Bridgend Science Park  
 Oakdale, Blackwood  
 Palace Cinema, Treharris  
 Pare Amanwy, Ammanford  
 Cooke's Site, Penrhyndeudraeth  
 Withybush, Haverfordwest  
 Cleddau Bridge, Pembroke  
 National Botanic Garden of Wales  
 Harbour View, Porthcawl  
 Canal Side, Neath  
 Llanhilleth Industrial Estate, Llanhilleth  
 College Car Park South, Merthyr Tydfil  
 Wales International Business Park, Jt33 M4  
 Land South of George Street Bridge, Newport  
 River Usk Riverfront, Newport  
 Beechwood Industrial Estate, Llandeilo

#### Short term investments held as current assets

Investment funds held in Finance Wales PLC

	As at 31 March 2009		As at 31 March 2008	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
Investment funds held in Finance Wales PLC	-	22	-	59
Loans Finance Wales PLC	-	6,980	-	7,298
	-	7,002	-	7,357



## 12. Movements in working capital other than cash

	Year ended 31 March 2008		RESTATED Year ended 31 March 2007	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Decrease in stock and development assets	(155,364)	(155,416)	39	(464)
Increase/(Decrease) in debtors	(12,300)	(2,746)	90,384	71,720
Less increase in Finance Wales loans in non-cash	-	(6,590)	-	(2,464)
(Increase)/Decrease in creditors	17,824	26,618	(183,391)	(203,415)
Transfer to public equity – Finance Wales	-	13		
National Loans Fund	30	30	31	31
	<b>(149,810)</b>	<b>(138,091)</b>	<b>(92,937)</b>	<b>(134,592)</b>
Development assets revaluation	142,789	142,789	43,029	43,029
Development assets disposal	21,384	21,384	17,293	17,293
Transfer to fixed assets	36,071	36,071	-	-
LHB property revaluation	-	-	-	(117)
Transfer to National Assembly for Wales Commission	-	-	659	659
Adjustment for accrual movement in loans	-	-	(3,536)	(3,536)
Adjustments for accrual movement fixed assets	(4,912)	(4,473)	(4,494)	(4,494)
Less movement in amounts payable to the Welsh Consolidated Fund and other non-operating cost balances	12,362	12,362	254	254
	<b>57,884</b>	<b>70,042</b>	<b>(39,732)</b>	<b>(81,504)</b>

## 13. Stock of Development Assets

	As at 31 March 2009		As at 31 March 2008	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
As at 1 April	355,009	355,009	354,763	354,763
Additions	33,629	33,629	60,568	60,568
Disposals	(21,384)	(21,384)	(17,293)	(17,293)
Impairment on revaluation	(142,789)	(142,789)	(43,029)	(43,029)
Transfer to fixed assets	(36,071)	(36,071)	-	-
<b>As at 31 March</b>	<b>188,394</b>	<b>188,394</b>	<b>355,009</b>	<b>355,009</b>

Development assets include certain land and buildings at a value where tenants have been provided with options to purchase within certain limited time periods.

The impairment charge for 2008-09 reflects the economic downturn, resulting in an increased availability of second hand stock and a consequent reduction in related capital values.

## 14. Stocks

	As at 31 March 2009		As at 31 March 2008	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Road salt	221	221	217	217
Cadw/LHB Raw materials and consumables	134	285	118	321
Cadw Goods for Resale	624	624	610	610
Telecommunication spares	3,030	3,030	3,093	3,093
Anti-viral drugs	20,080	20,080	8,799	8,799
Fire Service Devolution	951	951	952	952
	<b>25,040</b>	<b>25,191</b>	13,789	13,992

## 15. Debtors

	As at 31 March 2009		RESTATED As at 31 March 2008	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
<b>Amounts falling due within one year:</b>				
Trade debtors	65,600	72,462	123,996	128,840
Deposits & advances	335	335	280	280
European Union	83,086	83,086	68,021	68,021
NDR	78,537	78,537	74,414	74,414
Primary Care Trusts	-	472	-	254
NHS Trusts	-	11,549	-	10,738
Welsh Risk Pool	-	22,006	-	28,804
Other tax	9,293	9,332	8,316	8,317
Prepayments and accrued income	13,167	20,582	9,092	17,310
	<b>250,018</b>	<b>298,361</b>	284,119	336,978
<b>Amounts falling due after more than one year:</b>				
Welsh Risk Pool	-	15,883	-	8,320
Finance Wales loans	-	31,109	-	24,519
Other debtors	21,801	21,883	-	165
	<b>21,801</b>	<b>68,875</b>	-	33,004
<b>Total Debtors</b>	<b>271,819</b>	<b>367,236</b>	284,119	369,982

## Debtors continued

### Intra-Government Balances

	As at 31 March 2009		As at 31 March 2008	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
<b>Amounts falling due within one year:</b>				
Balances with other central government bodies	32,328	54,334	24,667	48,885
Balances with local authorities	11,109	11,109	15,230	15,230
Balances with NHS Trusts	1,145	13,166	467	11,459
Balances with public corporations and trading funds	-	-	-	-
<b>Subtotal: intra-government balances</b>	<b>44,582</b>	<b>78,609</b>	40,364	75,574
Balances with bodies external to government	205,436	219,752	243,755	261,404
	<b>250,018</b>	<b>298,361</b>	284,119	336,978
<b>Amounts falling due after more than one year:</b>				
Balances with other central government bodies	-	15,883	-	8,320
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
<b>Subtotal: intra-government balances</b>	<b>-</b>	<b>15,883</b>	-	8,320
Balances with bodies external to government	21,801	52,992	-	24,684
	<b>21,801</b>	<b>68,875</b>	-	33,004
<b>Total debtors</b>	<b>271,819</b>	<b>367,236</b>	284,119	369,982

### 16. Cash at bank and in hand

	Year ended 31 March 2009		Year ended 31 March 2008	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
Balance at 1 April	151,819	209,364	20,772	70,414
Net cash inflow/(outflow)	(36,730)	(76,701)	131,047	138,950
<b>Balance at 31 March</b>	<b>115,089</b>	<b>132,663</b>	151,819	209,364

The Office of HM Paymaster General (OPG) provides a current account banking service. The following balances were held at 31 March:

Balance at OPG	109,277	111,259	145,000	158,347
Commercial banks & cash in hand	5,812	21,404	6,819	51,017
	<b>115,089</b>	<b>132,663</b>	151,819	209,364

The Government of Wales Act 2006 established the Welsh Consolidated Fund from 1 April 2007. Cash drawn down but unused from the Exchequer during 2008-09 is repayable to the Welsh Consolidated Fund in 2008-09. £19,477,000 of the balance as at 31 March 2009 is repayable.

## 17. Creditors

### Creditors: Amounts falling due within one year

	As at 31 March 2009		RESTATED As at 31 March 2008	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Trade creditors	258,474	390,045	230,822	372,941
Tax and social security	1,304	2,038	441	2,214
Accruals & deferred income:				
European Union	59,238	61,708	69,444	78,489
Other	173,699	287,277	153,116	247,761
Amounts payable to the Welsh Consolidated Fund	32,329	32,329	88,843	88,843
NHS Trusts	-	55,138	-	55,696
Primary Care Trusts	-	1,552	-	1,566
Capital Creditors	-	738	-	299
Staff Pensions	-	300	-	1,107
	<b>525,044</b>	<b>831,125</b>	<b>542,666</b>	<b>848,916</b>
<b>Creditors: Amounts falling due after more than one year</b>				
Finance lease on Merthyr building and retentions on Highways contracts	11,202	11,202	11,404	11,404
Trade creditors	-	-	-	166
Finance Wales PLC	-	28,930	-	37,349
Staff Pensions	-	329	-	369
	<b>11,202</b>	<b>40,461</b>	<b>11,404</b>	<b>49,288</b>
<b>Total creditors</b>	<b>536,246</b>	<b>871,586</b>	<b>554,070</b>	<b>898,204</b>

### Intra-Government Balances

	As at 31 March 2009		RESTATED As at 31 March 2008	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
<b>Amounts falling due within one year:</b>				
Balances with other central government bodies	3,017	3,017	2,606	962
Balances with local authorities	28,442	28,442	27,609	27,609
Balances with NHS Trusts	24,973	81,663	-	57,262
Balances with public corporations and trading funds	-	-	-	-
<b>Subtotal: intra-government balances</b>	<b>56,432</b>	<b>113,122</b>	<b>30,215</b>	<b>85,833</b>
Balances with bodies external to government	468,612	718,003	512,451	763,083
	<b>525,044</b>	<b>831,125</b>	<b>542,666</b>	<b>848,916</b>
<b>Amounts falling due after more than one year:</b>				
Balances with other central government bodies	-	-	-	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
<b>Subtotal: intra-government balances</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	11,202	40,461	11,404	49,288
	<b>11,202</b>	<b>40,461</b>	<b>11,404</b>	<b>49,288</b>
<b>Total creditors</b>	<b>536,246</b>	<b>871,586</b>	<b>554,070</b>	<b>898,204</b>

## 18. Provisions for liabilities and charges

### WAG

	Staff Costs	NHS Provisions	Student Loans	Total
	£000	£000	£000	£000
Restated balance at 1 April 2008	3,475	274,149	200,724	<b>478,348</b>
Provided in the year	332	39,535	56,871	<b>96,738</b>
Provisions not required written back	(72)	(3,595)	-	<b>(3,667)</b>
Unwinding of provision	-	-	3,373	<b>3,373</b>
Provisions utilised in year	(686)	(21,523)	(16,168)	<b>(38,377)</b>
<b>Balance at 31 March 2009</b>	<b>3,049</b>	<b>288,566</b>	<b>244,800</b>	<b>536,415</b>

### Consolidated

	WAG	LHB Provisions	Total
	£000	£000	£000
Restated balance at 1 April 2008	478,348	65,581	<b>543,929</b>
Provided in the year	96,738	16,900	<b>113,638</b>
Provisions not required written back	(3,667)	-	<b>(3,667)</b>
Unwinding of provision	3,373	-	<b>3,373</b>
Provisions utilised in year	(38,377)	(11,557)	<b>(49,934)</b>
<b>Balance at 31 March 2009</b>	<b>536,415</b>	<b>70,924</b>	<b>607,339</b>

### Staff Costs

#### **(i) Early retirement provision – balance at 31 March 2009: £1,601,000**

The Welsh Assembly Government meets the additional costs of benefits for employees in PCSPS, beyond the normal PCSPS benefits in respect of employees who retire early, by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Welsh Assembly Government provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.2 per cent in real terms.

#### **(ii) Pension commitment provision – balance at 31 March 2009: £389,000**

Pension commitments have arisen from the mergers of former Assembly Sponsored Public Bodies for unfunded commitments to ex-Chairs. These provisions have been transferred to the Welsh Assembly Government.

#### **(iii) Astley case provision – balance at 31 March 2009: £1,059,000**

The Welsh Assembly Government has liabilities for the Astley case regarding redundancy payments to former subsidiary employees. Some claims arising from this case have been settled, but there remains uncertainty as to the amount of the remaining liability.

## NHS Provisions

### **(iv) Continuing Care provision – balance at 31 March 2009: £2,770,000**

In February 2003, the Health Services Ombudsman concluded that efforts should be made to remedy any financial injustice to patients where the criteria for access to continuing NHS funded care, or the way they were applied, were not clearly appropriate or fair. The costs prior to 1<sup>st</sup> April 2003 (i.e. former Health Authority liabilities) are the responsibility of the Welsh Assembly Government. All costs and provisions post 1<sup>st</sup> April 2003 are the responsibility of the 22 Local Health Boards.

### **(v) Hepatitis C provision – balance at 31 March 2009: £907,000**

The Skipton Fund is a body set up to manage the UK wide ex-gratia payments to individuals infected with hepatitis C from NHS blood products. The fund was opened on 5 July 2004. Lump sums of £20k are paid out in general cases and a figure of £25k is paid for those with an advanced illness.

### **(vi) Agenda for Change provision – balance at 31 March 2009: £149,000**

The provision of £150,000 is for the expected reimbursement of salary costs resulting from the Agenda for Change assimilation of NHS staff for Health Care students for the period 1 October 2004 to 31 March 2007.

### **(vii) Electronic Staff Records provision – balance at 31 March 2009: £1,638,000**

The provision is for the Welsh share of the overall Department of Health liability, in accordance with the contract with McKesson to 2015, for IT hardware and maintenance of the NHS Electronic Staff Records system.

### **(viii) Welsh Risk Pool provision – balance at 31 March 2009: £283,102,000**

This provision is for the expected future reimbursements of the Welsh Risk Pool.

## Student Loans

### **(ix) Student Loans provision – balance at 31 March 2009: £244,800,000**

The Student loans write-off provision is estimated to meet the future cost of loans that are not likely to be recovered due to the death of the student, their income not reaching the income threshold, or not being able to trace the student. Each year, the Department for Children, Education, Lifelong Learning and Skills will estimate the future cost of bad debts based on the percentage of new loans issued during the financial year. This is offset by the actual debts written off by the Student Loans Company. The interest subsidy is the difference between the interest paid by students and the cost of capital on loans. The interest subsidy provision is estimated to meet the cost of the interest over the life of the loan and is offset by the annual interest capitalised. The calculation of the subsidy includes the application of an inflation adjustment on the loan balances (2008-09: 2.25%, 2007-08: 2.25%) to reflect the full extent of the subsidy, which is credited to the General Fund.

## LHB Provisions

See accounting policy note 1.25

## 19. Reconciliation of net operating cost to changes in general fund

The General Fund represents the total assets less liabilities of the Welsh Assembly Government, to the extent that the total is not represented by other reserves and financing items.

	Year ended 31 March 2009		RESTATED year ended 31 March 2008	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
<b>Net operating cost</b>	<b>(12,566,683)</b>	<b>(12,590,709)</b>	(11,718,949)	(11,771,296)
Funding received from Welsh Consolidated Fund	12,200,788	12,200,788	11,820,081	11,820,081
Owed to Welsh Consolidated fund	(31,618)	(31,618)	(88,379)	(88,379)
Owed from WCF (NLF)	30	30	-	-
Loan repayments payable to the Welsh Consolidated Fund	(107)	(107)	(113)	(113)
Pension subsidiaries	-	1,551	-	(1,000)
Transfer to pension fund deficit	(4,090)	(4,090)	2,470	2,470
Creditor/Debtors adjustment	(114)	54	2,390	2,379
Prior year restatement roads	-	-	39,240	39,240
Roads: detrunked to local authority	(26,923)	(26,923)	-	-
Transferred from Revaluation Reserve	19,037	19,321	52	7,587
Increased share of JV	-	-	-	180
Reclassified investment	-	(14)	-	-
Fire and Rescue fixed asset transfers	148	148	590	590
PDC Investment net re-issue	348,019	348,019	-	-
APS transfer	-	-	(69,229)	(69,229)
Notional Student Loans issues/(repayments)	(14,223)	(14,223)	6,357	6,357
Student Loans non cash element	(3,332)	(3,332)	-	-
	<b>(79,068)</b>	<b>(101,105)</b>	(5,490)	(51,133)
Notional charges and income:				
Cost of Capital	494,646	490,267	464,567	460,848
CFER income	(793)	(793)	(5,038)	(5,038)
Services provided to HCW	(456)	-	(446)	-
Student loans inflation adjustment	25,482	25,482	21,502	21,502
<b>Net (decrease)/increase in the general fund</b>	<b>439,811</b>	<b>413,851</b>	475,095	426,179
Balance at 1 April	9,485,828	9,242,838	9,010,733	8,816,659
<b>Balance at 31 March</b>	<b>9,925,639</b>	<b>9,656,689</b>	9,485,828	9,242,838

## 20. European Deferred Grant Reserve

	Year ended 31 March 2009		Year ended 31 March 2008	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
Balance at 1 April	12,322	12,322	10,588	10,588
In-year Addition	4,774	4,774	2,154	2,154
Released to Operating Cost Statement	(855)	(855)	(420)	(420)
<b>Balance at 31 March</b>	<b>16,241</b>	<b>16,241</b>	12,322	12,322

## 21. Donated Asset Reserve

	Year ended 31 March 2009		Year ended 31 March 2008	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Balance at 1 April	-	4,806	10	4,945
Transfer to APS	-	-	(10)	(10)
In year addition	-	448	-	29
Revaluation and Indexation	-	(74)	-	407
Write off	-	-	-	(29)
Depreciation	-	(238)	-	(536)
<b>Balance at 31 March</b>	<b>-</b>	<b>4,942</b>	<b>-</b>	<b>4,806</b>

## 22. Revaluation Reserve

	Year ended 31 March 2009		Year ended 31 March 2008	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Balance at 1 April	4,732,434	4,867,392	4,243,845	4,360,193
In year revaluation	484,549	473,033	582,490	608,635
Add back non-reserve movements:				
Cash backed depreciation	(55,526)	(55,526)	(87,373)	(87,373)
	<b>5,161,457</b>	<b>5,284,899</b>	4,738,962	4,881,455
Of which:				
Roads	431,867	431,866	484,492	484,492
Land & Buildings	(17,107)	(28,623)	(7,687)	18,513
IT, Plant & Equipment	317	317	152	97
Payments on Account & Assets under Construction	13,946	13,947	18,160	18,160
	<b>429,023</b>	<b>417,507</b>	495,117	521,262
APS transfer	-	-	(6,476)	(6,476)
Released against impairment	(7,719)	(7,728)	-	-
Transfer to the General Fund in respect of realised element of revaluation reserve	(19,037)	(19,321)	(52)	(7,587)
<b>Balance at 31 March</b>	<b>5,134,701</b>	<b>5,257,850</b>	4,732,434	4,867,392

The revaluation reserve reflects the balance of adjustments made to take account of price changes and revaluation of tangible fixed assets.



## 23. Notes to Cash Flow Statement

	Note	Year ended 31 March 2009		Year ended 31 March 2008	
		WAG £000	Consolidated £000	WAG £000	Consolidated £000
<b>Reconciliation of operating cost to operating cash flows</b>					
<b>Net operating cost</b>		<b>12,566,683</b>	<b>12,590,709</b>	11,718,949	11,771,296
Provisions utilised	18	38,377	49,934	75,568	110,328
Non-cash transactions: Administrative costs	5	(6,980)	(8,191)	(14,670)	(13,334)
Programme costs	6	(858,303)	(887,145)	(575,887)	(605,790)
Notional recharges to HCW	8	456	-	446	-
Opening cr/dr adjustments		114	(52)	(2,390)	(2,383)
Income payable to WCF		20,373	20,373	93,417	93,417
Movements in working capital other than cash	12	57,884	70,042	(39,732)	(81,504)
<b>Net cash outflow from operating activities</b>		<b>11,818,604</b>	<b>11,835,670</b>	11,255,701	11,272,030
<b>Analysis of capital expenditure and financial investment</b>					
Issue of loans		449,537	464,828	431,561	439,225
Repayment of loans		(112,572)	(112,012)	(70,707)	(72,459)
Payments to acquire intangible and fixed assets		128,705	136,398	103,512	105,756
Receipts from disposal of fixed assets		(1,018)	(1,209)	(1,212)	(11,430)
Receipts from disposal of development assets		(28,602)	(28,602)	(27,413)	(27,413)
<b>Net cash outflow from investing activities</b>		<b>436,050</b>	<b>459,403</b>	435,741	433,679
<b>Analysis of financing</b>					
From Welsh Consolidated Fund	19	12,200,788	12,200,788	11,820,081	11,820,081
EU Deferred Grant	20	-	-	2,154	2,154
Donation	21	-	-	-	29
Payments to National Loans Fund		-	-	31	31
(Increase)/Decrease in cash	16	36,730	76,701	(131,047)	(138,950)
<b>Net cash requirement</b>		<b>12,237,518</b>	<b>12,277,489</b>	11,691,219	11,683,345

## 24. Capital Commitments

	As at 31 March 2009		As at 31 March 2008	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Capital commitments for which no provision has been made in these accounts were as follows:				
Roads Construction	83,625	83,625	137,239	137,239
Local Health Boards	-	553	-	1,332
DET contracted but not provided for	10,046	10,046	25,049	25,049
Management & Central Services	31,890	31,890	5,046	5,046
Case management system	-	-	20	20
Location Strategy	29,153	29,153	20,410	20,410
	<b>154,714</b>	<b>155,267</b>	<b>187,764</b>	<b>189,096</b>

## 25. Commitments under operating leases

At 31 March 2009 the Welsh Assembly Government and its related bodies were committed to making the following payments in respect of operating leases expiring:

	As at 31 March 2009		As at 31 March 2008	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
<b>Land and Buildings:</b>				
Within one year	1,664	1,962	1,204	1,332
Between two and five years	1,059	1,858	1,389	2,310
After five years	7,875	9,686	7,087	8,770
	<b>10,598</b>	<b>13,506</b>	<b>9,680</b>	<b>12,412</b>
<b>Other:</b>				
Within one year	305	615	75	326
Between two and five years	208	607	636	952
After five years	22	23	5	52
	<b>535</b>	<b>1,245</b>	<b>716</b>	<b>1,330</b>
	<b>11,133</b>	<b>14,751</b>	<b>10,396</b>	<b>13,742</b>

## 26a. Other Financial Commitments

The Welsh Assembly Government and its related bodies were committed to making the following annual payments against contracts expiring:

	As at 31 March 2009		As at 31 March 2008	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Within one year	4,250	5,206	129	655
Between two and five years	526	526	5,331	5,331
After five years	14,289	14,289	14,369	14,369
	<b>19,065</b>	<b>20,021</b>	19,829	20,355

Siemens Business Services provide IT hardware, software and support services, known as 'MERLIN', to the Welsh Assembly Government. This contract began on 1 May 2004 and covers a period of 10 years.

This note does not contain any grant commitments as it is not the Welsh Assembly Government's policy to disclose these.

In March 2007 the (then) National Assembly for Wales entered into a commitment (revocable only by legislation) with Cardiff City Council to provide funding in respect of the Council's obligations under the Cardiff Bay Barrage Act 1993 for maintenance and operation of the Cardiff Bay Barrage.

## 26b. PFI Revenue Commitments

The Welsh Assembly Government was committed to making the following annual payments against contracts expiring:

	As at 31 March 2009		As at 31 March 2008	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Within one year	-	-	-	-
Between two and five years	-	-	-	-
After five years	17,395	17,395	17,395	17,395
	<b>17,395</b>	<b>17,395</b>	17,395	17,395

Contractors were commissioned by the Welsh Assembly Government under the PFI scheme to build and maintain a carriageway across Anglesey. The contract commenced in December 1998 and is for a period of 30 years, after which time the ownership of the A55 will revert to the Welsh Assembly Government. The net capital valuation of the A55 using reversionary interest calculations at 31 March 2009 was £146,021,639 (2007-08: £132,074,668). This value will increase each year as the date for the Welsh Assembly Government taking ownership of this asset draws nearer.

In addition to the above, from 2000/01 the Welsh Development Agency had been contractually committed to pay £5.1m annually, index linked, to the primary contractor associated with the Bute Avenue (PFI) project, until November 2025. This scheme was transferred from the Cardiff Bay Development Corporation in April 2000, and was transferred to the Welsh Assembly Government in April 2006. The private sector partner is required to design, construct and maintain for 25 years a road network known as Bute Avenue, the completion of associated works and to secure and or undertake the provision of specified residential and commercial developments. It is not possible to assign a capital value of the scheme at this time.

## 27. Contingent Liabilities

	Year ended 31 March 2009		Year ended 31 March 2008	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Legal Claims – alleged medical or employer negligence	(2,195)	(53,342)	-	(79,906)
Potential contractual obligations	(17,474)	(17,474)	(12,043)	(12,043)
Other	-	(15,703)	-	(17,012)
	<b>(19,669)</b>	<b>(86,519)</b>	(12,043)	(108,961)

The Welsh Assembly Government has indemnified the Secretary of State against all actions, proceedings, costs, claims and demands by third parties in respect of: any damage or liability caused by or arising from the Joint Parties Agreement regarding Arriva Trains Wales. The possibility of the liability maturing is assessed as remote.

The transfer of employees from the ex Wales Tourist Board scheme to PCSPS in February 2009 could result in a Section 75 debt. The actuaries will evaluate this once the transfer and other details have been confirmed. See Note 39c.

The Welsh Assembly Government has a maximum liability to underwrite at last resort, costs regarding contaminated land at the Brofiscin tip of £20 million. The Environment Agency is assessing who is responsible for costs which will impact on the likelihood and magnitude of the costs to be incurred.

The Welsh Assembly Government has a potential liability regarding compensation for a Special Area of Conservation at Hafod Quarry. The amount of the liability is subject to agreement with Wrexham County Borough Council.

The Welsh Assembly Government has committed to indemnify Housing Stock Transfer organisations against the financial consequences of any future withdrawal of, or amendment to the VAT Mitigation Scheme. The liabilities cover seven organisations for £232,885,000 and the period of liability varies. There are no current concerns regarding the continuation of the scheme, and the potential of the liability maturing is considered to be too remote to include as a contingent liability.

In special circumstances the Welsh Assembly Government acts as guarantor and provides letters of comfort for its sponsored bodies. The probability of these guarantees being acted on is counted as too remote to be included as a contingent liability. The value of these guarantees at 31 March 2009 was £88.3 million.

Negligence claims are disputed and until they are resolved, the LHBs liability, if any, cannot be determined. In accordance with the requirements of FRS 12, no provision has been made in the 2008-09 accounts for these items.

## 28. Interest

	Year ended 31 March 2009		Year ended 31 March 2008	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
<b>Interest Payable:</b>				
National Loans Fund	1,715	1,715	1,725	1,725
Other	-	3,047	-	2,567
	<b>1,715</b>	<b>4,762</b>	1,725	4,292
<b>Interest Receivable:</b>				
National Loans Fund Investments	(1,715)	(1,715)	(1,725)	(1,725)
Dividend received on PDC investments	(78,338)	(78,338)	(70,112)	(70,112)
Other loan interest (including Health and Student loans)	(10,575)	(12,245)	(6,923)	(9,736)
	<b>(90,628)</b>	<b>(92,298)</b>	(78,760)	(81,573)

## 29. National Loans Fund

	National Loans Fund £000
Balance at 1 April 2008	11,812
Repayments during year	(30)
<b>Balance at 31 March 2009</b>	<b>11,782</b>
Amounts falling due within 1 year	34
Amounts falling due between 1 and 5 years	195
Amounts falling due after 5 years	11,553
<b>Total</b>	<b>11,782</b>

The National Loans Fund loans are repayable over periods of up to 60 years. They bear interest rates between 4.95% and 5.6%

## 30. Unhypothecated Supported Borrowing

The Welsh Assembly Government provides Unhypothecated Supported Borrowing to local authorities for the purposes of capital expenditure. This funding is paid as part of the annual local authority revenue settlement, and takes into account both capital and interest repayments.

Unhypothecated Supported Borrowing issued during the year was as follows:

	Year ended 31 March 2009 £000	Year ended 31 March 2008 £000
Health & Social Services	5,388	5,388
Social Justice & Local Government	14,842	14,842
Environment, Sustainability & Housing	79,989	80,989
Economy & Transport	16,478	16,478
Children, Education, Lifelong Learning & Skills	45,699	45,699
<b>Total Unhypothecated Supported Borrowing</b>	<b>162,396</b>	<b>163,396</b>

### 31. Losses and Special Payments

#### a) Losses (Excluding Local Health Boards)

	Year ended 31 March 2009			
	WAG		Consolidated	
	No of Cases	£000	No of Cases	£000
Cash Losses	47	53	47	53
Claims Abandoned	56	5,737	56	5,737
Fruitless Payments	2	7	2	7
Store Losses	4	24	4	24
	<b>109</b>	<b>5,821</b>	<b>109</b>	<b>5,821</b>

	Year ended 31 March 2008			
	WAG		Consolidated	
	No of Cases	£000	No of Cases	£000
Cash Losses	1,635	137	1,635	137
Claims Abandoned	208	16,886	208	16,886
Fruitless Payments	6	-	6	-
Store Losses	1	-	1	-
	<b>1,850</b>	<b>17,023</b>	<b>1,850</b>	<b>17,023</b>

#### b) Special Payments (Excluding Local Health Boards)

	Year ended 31 March 2009			
	WAG		Consolidated	
	No of Cases	£000	No of Cases	£000
Special Payments	20	35	20	35
	<b>20</b>	<b>35</b>	<b>20</b>	<b>35</b>

	Year ended 31 March 2008			
	WAG		Consolidated	
	No of Cases	£000	No of Cases	£000
Special Payments	50	263	50	263
	<b>50</b>	<b>263</b>	<b>50</b>	<b>263</b>

#### Details on losses that exceed £250,000:

Abandoned claims:	£000
Burlington Cotton Mills	1,185
Everwhite Plastics Ltd	600
Elev8 Solutions Ltd	1,000
Integrated Polymers Ltd	275
K2 Windows & Doors Ltd	350
Newco (KDG Mediatech AG)	750

Regional Selective Assistance to companies now in liquidation

c) **Local Health Boards: Losses and Special Payments**

	<b>Year ended 31 March 2009</b>		Year ended 31 March 2008	
	<b>No of Cases</b>	<b>£000</b>	No of Cases	£000
Medical Negligence	21	5,353	21	31,119
Personal Injury	7	214	8	349
Fraud	-	-	-	-
Other	1,490	113	1,111	46
	<b>1,518</b>	<b>5,680</b>	1,140	31,514

**32. Related Party Transactions**

The Welsh Assembly Government receives most of its funding from the Welsh Consolidated Fund.

The Welsh Assembly Government has one executive agency – the Health Commission Wales Specialist Services. The Welsh Assembly Government also funds its Assembly Government Sponsored Bodies. These bodies are regarded as related parties with which the Welsh Assembly Government has had various material transactions during the period.

Arts Council of Wales  
Care Council for Wales  
Countryside Council for Wales  
Higher Education Funding Council for Wales  
Local Government Boundary Commission for Wales  
National Library of Wales  
National Museums & Galleries of Wales  
Sports Council for Wales  
Wales Centre for Health  
Welsh Language Board

In addition, the Welsh Assembly Government has had a number of material transactions with other government departments and central government bodies.

Cabinet Office  
Children's Commissioner for Wales  
Dental Practice Board  
Department for Communities and Local Government  
Department for Constitutional Affairs  
Department for Children, Schools and Families  
Department for Environment, Food and Rural Affairs  
Department for Health  
Department for Innovation, University and Skills  
Department for Transport  
Department for Work and Pensions  
Department for Business, Enterprise and Regulatory Reform  
Environment Agency Wales  
Estyn: Her Majesty's Inspectorate of Education & Training in Wales  
Food Standards Agency  
Foreign and Commonwealth Office  
Forestry Commission  
Further and Higher Education Bodies  
General Social Care Council

General Teaching Council for Wales  
Health Protection Agency  
HM Treasury  
Local Authorities in Wales  
NHS Bodies in Wales  
Office of Government Commerce  
Office of Science and Technology  
Older Peoples Commissioner  
Planning Inspectorate  
Police Authorities in Wales  
Public Health Laboratory Service  
Public Services Ombudsman  
Rural Payment Agency  
Treasury Solicitors Department  
Trunk Road Agencies in Wales  
Valuation Office Agency  
The National Fallen Stock Company

During the year the Welsh Assembly Government had a number of subsidiary companies:

- Newport Unlimited, which is a company limited by guarantee. The Welsh Assembly Government has a two-thirds share with Newport County Council having a one third share. The company is dormant.
- Finance Wales PLC which is included in the consolidated account
- The Design Commission for Wales, which is a Welsh Assembly Government owned 'not-for-profit' company limited by guarantee. It is a registered company with a board of Directors having been given the powers of management to run the company, with the Welsh Assembly Government retaining overall control of its affairs.
- Welsh Development Management Ltd - included in the consolidated account
- International Business Wales Ltd – included in the consolidated account
- Ryder Cup Wales 2010 Ltd – included in the consolidated account.
- Hybu Cig Cymru – Meat Promotion Wales not consolidated on materiality grounds

None of the Welsh Ministers, key managerial staff or other related parties has undertaken any material transactions with the Welsh Assembly Government during the year, except as noted below.

The wife of Leighton Andrews (Deputy Minister for Regeneration) is an unremunerated director of Better Business Wales (Holdings) Ltd, which received funding of some £715,000 from the Welsh Assembly Government during the year.

Alun Ffred Jones (Minister for Heritage) was a director of Antur Nantlle during 2008/09, which received Communities First funding of £168,000 from the Welsh Assembly Government during the year. He was a shareholder of Barcud Derwen Cyf which received £25,644.13 for services to the Welsh Assembly Government. Mr Jones was appointed at short notice and has worked openly with the Permanent Secretary from the outset to ensure that there is no conflict of interest. Mr Jones has now divested himself of interests in these companies.

Details of positions held by ministers are disclosed on the National Assembly for Wales' website. No direct material transactions were conducted with these bodies.

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### 33. Resources by Welsh Assembly Government Objectives

Programme expenditure and income has been allocated in the ‘Statement of Operating Costs by Welsh Assembly government Aims and Objectives based primarily on Main Expenditure Group outturn. Most of the Welsh Assembly Government’s expenditure relates to programme expenditure and has thus been allocated to its appropriate objective. Net administration costs and non-directly attributable capital charges have been allocated to objectives in the same proportions as programme expenditure by objective, as follows:

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
▪ Learning for Life	<b>45,270</b>	42,864
▪ A Healthy Future	<b>142,256</b>	139,391
▪ A Prosperous Society	<b>50,147</b>	44,162
▪ A Fair and Just Society	<b>82,345</b>	84,905
▪ Living Communities	<b>13,770</b>	14,378
▪ A Sustainable Environment	<b>16,595</b>	14,114
▪ A Rich and Diverse Culture	<b>3,589</b>	3,935
<b>TOTAL</b>	<b>353,972</b>	343,749

### 34. Interreg III

Interreg III is a community initiative, which promotes inter-regional co-operation in the EU. The Ireland/Wales Interreg IIIA programme is monitored by a committee made up of partnership interests in Ireland and Wales. The scheme is administered by the Welsh Assembly Government, which holds a separate Euro bank account for this purpose.

The grant payments and income for the Welsh element of the scheme are included in the main account. The Welsh element of the bank balance has not been included because an auditable split between Irish and Welsh balances is not possible. Balances have been converted into sterling at the relevant balance sheet date exchange rate.

#### Income and Expenditure

		Year Ended 31 March 2009		Year Ended 31 March 2008	
		€000	€000	€000	€000
Income	EU Funding		3,938		5,638
Grant Expenditure	Ireland	(1,951)		(1,593)	
	Wales	(1,987)		(4,045)	
		<u>(3,938)</u>		<u>(5,638)</u>	
Other Expenditure	Bank Charges	-		(1)	
	Exchange Gain	387		245	
Total Expenditure			<u>(3,551)</u>		<u>(5,394)</u>
Net Income			<u>387</u>		<u>244</u>

#### Balance Sheet as at 31 March 2009

		Year Ended 31 March 2009		Year Ended 31 March 2008	
		£000	€000	£000	€000
Debtors		1,252	1,350	3,012	3,750
Bank		1,053	1,137	242	302
Creditors		(1,795)	(1,937)	(3,123)	(3,889)
Net Assets/(Liabilities)		<u>510</u>	<u>550</u>	<u>131</u>	<u>163</u>
General Fund		<u>510</u>	<u>550</u>	<u>131</u>	<u>163</u>

### 35 Results of related companies

The Welsh Assembly Government has interests in related companies, and where this exceeds 30% of the issued ordinary shares and convertible preference shares of a company and £100,000, the following information taken from the latest audited annual accounts is given.

Department for Economy and Transport holding at 31 March 2009

Name of company	Description of investment	Proportion held	Share capital and reserves	Profit/ (Loss) for the year
		%	£	£
Welsh Development Management Ltd	1 ordinary £1 share	100	1	Nil
Finance Wales PLC	12,500 ordinary £1 shares	100	30,192,347	(11,185,208)

Finance Wales plc was a wholly owned subsidiary company of the Department for Economy and Transport. The results for the year show a loss of £11,185,208 (2007-08 – profit £1,484,787) and share capital and reserves of £30,192,347 (2007-08-£465,408), incorporates the results of its wholly owned subsidiary companies, Finance Wales Investments Ltd, Finance Wales Investments (2) Ltd, Finance Wales Investments (3) Ltd, Finance Wales Investments (4) Ltd, Xenos – the Business Angel Network Ltd and also its share of the loss of Wales Innovation Fund Ltd, an incorporated joint venture.

The Department for Economy and Transport also had a 49% interest in an associated undertaking known as Welsh Industrial Partnership Ltd. The value of the department's interest, shown at cost is £13,500,000 and is included in the investments at note 11.

#### Newport Unlimited

Newport Unlimited is a private company limited by guarantee with financial backing and Board member support from the Welsh Assembly Government and Newport City Council.

The objectives of the company are to develop and secure the regeneration in the physical environment and to strengthen the economy of specific areas of the city and other locations in Newport. The company sets a strategic policy for the regeneration of Newport but does not enter into transactions on its own behalf. Contributions to revenue and capital programmes are expended by the relevant stakeholders.

### 36. European Network on Young People and Tobacco – ENYPAT

#### Adolescent Smoking Cessation Programme

The Welsh Assembly Government co-ordinates a Europe-wide adolescent smoking cessation programme on behalf of the European Commission and the European Network on Young People and Tobacco (ENYPAT).

ENYPAT is a network for specialists working in the area of tobacco control amongst young people, funded by the 'Europe Against Cancer Programme' of the European Commission. Its aims and objectives are to contribute to the reduction of smoking amongst young people through European-wide collaboration and the exchange of information and expertise between various agencies.

The programme is administered by the Welsh Assembly Government, which holds a separate Euro bank account for the purpose. Grant funding and expenditure on projects undertaken in Wales is included within the main account.

The Financial Reporting Manual requires disclosure of this information. For this scheme, responsibility for monitoring compliance with governing regulations falls to the European Commission.

#### Income and Expenditure

		<b>Year Ended 31 March 2009</b>	Year Ended 31 March 2008
		<b>€000</b>	€000
Income:	EU	<b>(94)</b>	-
Expenditure:	Grant Payments	-	-
(Surplus)/Deficit		<b>(94)</b>	-

#### Balance Sheet

	<b>Year Ended 31 March 2009</b>	Year Ended 31 March 2008
	<b>€000</b>	€000
Debtors	-	-
Bank	<b>215</b>	121
Creditors	<b>(77)</b>	(77)
Net Assets	<b>138</b>	44
General Fund	<b>138</b>	44

### **37. Prior year adjustments**

A prior year adjustment of £39,240,000 has been made in respect of the roads revaluation due to a review of roads classifications for previous years in the Valuation model.

A prior year adjustment of £458,000 has been made in respect of deferred income for Ryder Cup Wales 2010 Ltd which had been re-stated in their accounts.

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### **38. Heritage Assets**

In accordance with the Welsh Assembly Government's accounting policy a number of non operational heritage assets have not been valued for inclusion in the Balance Sheet. These assets are managed by two departments in the Welsh Assembly Government: Cadw; and the Royal Commission for Ancient and Historic Monuments in Wales (RCAHMW).

Cadw is the Welsh Assembly government's historic environment service and discharges the Welsh Assembly Government's statutory responsibilities relating to the historic environment. Its mission is to protect, conserve and to promote an appreciation of the built heritage of Wales. It defines built heritage as 'the physical remains of people's activities within the Welsh landscape' and these remains include a large variety of sites, monuments, architectural ruins and historic buildings.

There are currently 129 monuments in the guardianship of the Welsh Assembly Government, only 10 of which are roofed buildings. These monuments include:-  
castles and medieval houses;  
religious sites;  
roman sites;  
post medieval sites and industrial sites; and  
prehistoric sites.

Of these the Castles and Town Walls built by King Edward I in Gwynedd and the Blaenavon Industrial Landscape are listed as World Heritage Sites.

A full list and information on all the sites in the guardianship of the Welsh Assembly Government can be found on the Cadw website: [www.cadw.wales.gov.uk](http://www.cadw.wales.gov.uk)

The RCAHMW has a national role to provide for the survey and recording of ancient and historical monuments and constructions connected with, or illustrative of, the contemporary culture, civilisation and conditions of the life of the people in Wales from the earliest times (including the ancient and historical monuments and constructions in, on or under, the sea bed within the United Kingdom territorial sea adjacent to Wales) by compiling, maintaining and curating the National Monuments Record of Wales (NMRW).

The NMRW comprises information gathered from RCAHM survey programmes and from donations of material from other organisations and private individuals. Currently the heritage assets comprise of over 1.25 million photographs, over 70,000 plans and drawings and 50,000 historic maps in addition to thousands of surveys and reports.

Further details can be found in Coflein, an online interactive mapping and database for the NMRW which can be found at [www.rcahms.org.uk](http://www.rcahms.org.uk)

## **39. Pensions**

Employees of the Welsh Assembly Government belong to the Principal Civil Service Pension Scheme, unless they belonged to pre-merger schemes and have opted to retain their old terms and conditions of service. The material scheme disclosures are shown below.

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### **39a. Principal Civil Service Pension Scheme**

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Welsh Assembly Government is not advised of its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2008-09, employers contributions of £31,785,333 were payable to the PCSPS (2007-08: £29,938,969) at rates in the range 17.1 to 25.5 per cent (2007-08: 17.1 to 25.5 per cent) of pensionable pay, based on salary bands. Rates for 2009-10 will be in the range 16.7 to 24.3 per cent. Employer contributions are to be reviewed every four years following a full scheme valuation by the Scheme Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Employees joining after 1 October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £156,913 (2007-08: £140,072) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable earnings. Employers also match employee contributions up to 3 per cent of earnings (which are included in the pension figures in Note 2). In addition, 0.8 per cent of pensionable pay, was payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. This was paid as part of the overall employer's contribution of £156,913.

Contributions due to the partnership pension providers at the balance sheet date were £nil (2007-08: £nil). Contributions prepaid at the date were £nil (2007-08: £nil). 6 individuals retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £12,784.

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### **39b. Former Welsh Development Agency Employees**

Former Welsh Development Agency and Finance Wales PLC employees transferred to the Welsh Assembly Government on 1 April 2006 but remained on their existing terms and conditions and pension arrangements, until new arrangements could be agreed. During the year some Welsh Assembly Government employees opted to transfer to the PCS/PS Nuvos scheme. The transfer has not yet been finalised and so figures received from the actuaries are based on estimates.

The Agency participated in the Local Government Pension Scheme, which is a multi-employer funded scheme providing pension and related benefits on a final salary basis. The assets of the scheme are held separately from the assets of the Welsh Assembly Government and are administered by Rhondda Cynon Taff County Borough Council. Additional retirement benefits are granted in accordance with the Local Government (Compensation for Premature Retirement) Regulations 1982 and these benefits are provided on a pay-as-you-go basis.

A full actuarial valuation of the fund was carried out at 31 March 2007 and the principal assumptions used by the independent qualified actuaries in updating the latest valuations of the fund for FRS 17 purposes, together with the funding position in respect of the staff of the former Welsh Development Agency are shown. Corresponding valuations and principal assumptions have also been obtained in respect of staff of Finance Wales Plc. These are disclosed within the financial statements of Finance Wales Plc and have been reflected in the financial results and balances for the consolidated position of the Assembly Government. The agreed employer's contribution rate was 17.7% of pensionable earnings. The opening balance of the pension liability for 2008-09 has been restated by an increase of £80,000 as a result of changes in FRS17 accounting methods.

## **FUNDED BENEFITS**

### **Main financial assumptions used**

	<b>At 31 March 2009</b>	<b>At 31 March 2008</b>	<b>At 31 March 2007</b>
Rate of increase in Salaries	5.1%	5.2%	4.7%
Rate of increase in Pensions in payment	3.6%	3.7%	3.2%
Rate of increase to deferred pensions	3.6%	3.7%	3.2%
Discount rate	6.5%	6.8%	5.3%
Inflation assumption	3.6%	3.7%	3.2%

**The expected rate of return on assets were:**

	Long-term rate of return expected at 31 March 2009	Asset split at 31 March 2009	Long-term rate of return expected at 31 March 2008	Value at 31 March 2008
	% pa	%	% pa	%
Equities	<b>7.0</b>	<b>61.7</b>	7.6	73.3
Property	<b>6.0</b>	<b>4.3</b>	6.6	3.8
Government bonds	<b>4.0</b>	<b>17.9</b>	4.6	11.6
Corporate bonds	<b>5.8</b>	<b>8.4</b>	6.8	2.4
Other	<b>1.6</b>	<b>7.7</b>	6.0	8.9
<b>Total</b>	<b>5.9</b>	<b>100</b>	7.1	100

The Welsh Assembly Government employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2009.

**Reconciliation of funded status to balance sheet**

	2008-09	Restated 2007-08
	£000	£000
Notional value of assets	<b>68,160</b>	89,120
Present value of liabilities	<b>(129,500)</b>	(121,440)
Net pension liability	<b>(61,340)</b>	(32,320)

**Analysis of income and expenditure/profit and loss charge**

	2008-09	2007-08
	£000	£000
Current service cost	<b>3,110</b>	4,710
Past service cost	<b>400</b>	1,250
Interest cost	<b>8,210</b>	7,240
Expected return on assets	<b>(6,260)</b>	(6,040)
Curtailement cost	<b>(3,070)</b>	-
Settlement cost	<b>(1,780)</b>	-
Expense recognised	<b>610</b>	7,160



### Changes to the present value of liabilities during the accounting period

	2008-09 £000	2007-08 £000
Opening present value of liabilities	121,440	135,720
Current service cost	3,110	4,710
Interest cost	8,210	7,240
Contributions by participants	1,770	1,580
Actuarial (gains)/losses on liabilities*	7,700	(24,690)
Net benefits paid out#	(3,700)	(4,370)
Past service cost	400	1,250
Curtailments	(3,070)	-
Settlements	(6,360)	-
Closing present value of liabilities	<u>129,500</u>	<u>121,440</u>

\*Includes changes to the actuarial assumptions

#Consists of net cash flow out of the fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums of £100,000 for the period ending 31 March 2009

### Changes to the fair value of assets during the accounting period

	2008-09 £000	2007-08 £000
Opening fair value of assets	89,120	84,160
Expected return on assets	6,260	6,040
Actuarial gains/(losses) on assets	(25,570)	(2,750)
Contributions by the employer	4,860	4,460
Contributions by participants	1,770	1,580
Net benefits paid out#	(3,700)	(4,370)
Net increase in assets from disposals and acquisitions	-	-
Settlements	(4,580)	-
Closing fair of assets	<u>68,160</u>	<u>89,120</u>

#Consists of net cash flow out of the fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums of £100,000 for the period ending 31 March 2009

### Actual return on assets

	2008-09 £000	2007-08 £000
Expected return on assets	6,260	6,040
Actuarial loss on assets	(25,570)	(2,750)
Actuarial return on assets	<u>(19,310)</u>	<u>3,290</u>

### Analysis of amount recognised in Statement of Total Recognised Gains & Losses (STRGL)

	2008-09 £000	2007-08 £000
Total actuarial gains/(losses)	(33,270)	21,940
Total gain/loss in STRGL	<u>(33,270)</u>	<u>21,940</u>

### History of asset values, present value of liabilities and surplus/deficit

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Fair value of assets	<b>68,160</b>	89,120
Present value of liabilities	<b>(129,500)</b>	(121,440)
Deficit	<b>(61,340)</b>	(32,320)

### History of experience gains and losses

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Experience losses on assets	<b>(25,570)</b>	(2,750)
Experience losses on liabilities	<b>(390)</b>	(1,350)

### UNFUNDED BENEFITS

#### Main financial assumptions used

	At 31 March 2009	At 31 March 2008	At 31 March 2007
Rate of increase in Pensions in payment	3.6%	3.7%	3.2%
Discount rate	6.5%	6.8%	5.3%
Inflation assumption	3.6%	3.7%	3.2%

#### Reconciliation of funded status to balance sheet

	<b>2008-09</b>	Restated 2007-08
	<b>£000</b>	£000
Present value of liabilities	<b>10,990</b>	10,220
Net pension asset(liability)	<b>(10,990)</b>	(10,220)

#### Analysis of income and expenditure/profit and loss charge

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Current service cost	-	-
Past service cost	<b>160</b>	30
Interest cost	<b>680</b>	610
Expense recognised	<b>840</b>	640

### Changes to the present value of liabilities during the accounting period

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Opening present value of liabilities	<b>10,220</b>	11,840
Current service cost	-	-
Interest cost	<b>680</b>	610
Actuarial (gains)/losses on liabilities*	<b>610</b>	(1,390)
Net benefits paid out#	<b>(680)</b>	(870)
Past service cost	<b>160</b>	30
Closing present value of liabilities	<b>10,990</b>	10,220

\*Includes changes to the actuarial assumptions

### Analysis of amount recognised in Statement of Total Recognised Gains & Losses (STRGL)

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Total actuarial gains/(losses)	<b>(610)</b>	1,390
Total gain/loss in STRGL	<b>(610)</b>	1,390

### History of present value of liabilities and surplus/deficit

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Present value of liabilities	<b>10,990</b>	10,220
Surplus/(deficit)	<b>(10,990)</b>	(10,220)

### History of experience gains and losses

	<b>2008-09</b>	2007-08
	<b>£000</b>	£000
Experience gains (losses)	<b>(130)</b>	760

### **39c. Former Wales Tourist Board employees**

Wales Tourist Board employees transferred to the Welsh Assembly Government on 1 April 2006 but remained on their existing terms and conditions and pension arrangements with the British Tourist Boards' Staff Pension and Life Assurance Scheme, until 1 February 2009. The active members of this Scheme then became members of PCSPS Premium. At the same time these members became entitled to a deferred pension in the Scheme based on service up to 31 January 2009.

Discussions between Welsh Assembly Government and the Trustees in respect of transfers of existing rights from the BTB scheme to the PCSPS are ongoing and agreement has not been reached on the applicability, amount and timing of any Section 75 debt payment.

The scheme is a multi-employer defined benefit scheme including other tourist boards where the employers' contributions are affected by a surplus or deficit in the scheme, but each employer is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis. As a consequence the Board has accounted for its contributions to the scheme as if it were a defined contributions scheme in accordance with Non-Departmental Public Body guidance.

The Pension Scheme Actuary has performed an interim valuation for the purposes of the transitional disclosures. This was based upon membership data at 1 April 2006, updated to 31 March 2008.

The assumptions that have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increases to salaries and pension in payment. It was assumed for the interim valuation that investment returns in the long term would be 6.7% per annum; that salary increases would average 2.65% per annum; and that pensions would increase in payment at 2.65% per annum.

The 2009 interim valuation showed that the value of the scheme's assets was £147.4 million and that the actuarial value of those assets represented 103% of the benefits that had accrued to members at that date, after allowing for expected future increases in earnings. The basis of valuation of the scheme's assets and liabilities for transfer purposes is not the same as that for FRS17 purposes, and this is one of the topics under discussion with BTB scheme trustees.

The agreed employer's contribution rate to the scheme was 10% of pensionable salaries (2007-08: 10% of pensionable salaries). The Welsh Assembly Government contributions in the year was £361,000 (2007-08: £426,000), plus additional contributions of £Nil to secure augmented benefits for staff retiring early (2007-08: £Nil).

A provision has been made in these accounts for the accruing costs of the previous Chairman's future pension entitlement (Note 18).

### **40. Financial Instruments**

FRS 29: Financial Instruments: Disclosure requires the Welsh Assembly Government to disclose information which will allow users of these financial statements to evaluate the significance of financial instruments on financial performance and position, and the nature and extent of its exposure to risks arising from financial instruments.

As the majority of the Welsh Assembly Government's resources are met by the Welsh Consolidated Fund, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size.

The Welsh Assembly Government is however exposed to some forms of credit, liquidity and market risk via specific programmes/activities undertaken in pursuance of its aims.

## **Credit Risk**

The Welsh Assembly Government's objective is full recovery of debt and we actively pursue this recovery. The policy is to operate normal credit control procedures for the management of risk of default by trade debtors through the Accounts Receivable function. Due to the nature and value of debtors, the Welsh Assembly Government views the credit risk associated with these debtors as minor. Provisions for doubtful debts are made once debts are over 6 months old.

The Welsh Assembly Government issues and seeks repayments of student loans via the Student Loans Company, and is therefore exposed to the risk that some student loans will not be repaid. It works in conjunction with the Student Loans Company and Her Majesty's Revenue and Customs to manage the collection of student loan repayments and to manage the associated credit risks. It also estimates the future write-offs when loans are issued using a model, and provides for this on an annual basis.

## **Market risk**

Market risk is the risk that the fair value of future cash-flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes currency risk and interest rate risk.

### Development Assets Valuation Movements

The Department is able to mitigate against possible reductions in valuation by proactive planning and management of the sites. However, movements in market fluctuations are not possible to control. The Department also ensures that the expenditure budgets for the portfolio are managed carefully to take in to account any reductions which result in reduced income availability from planned sales.

### Investment Risk

Constant monitoring of the portfolio of investments allows for early identification of risks of non-recovery, allowing relevant provisions to be made accordingly. The investment in the subsidiary is considered on a much longer term basis, reflecting the fact that the investment is not expected to be repaid in the short to medium term, as reflected in the accounts of the subsidiary where the financing is shown as public equity and not as creditors.

### Foreign Currency risk

Currency risk is the risk that the fair values or future cash-flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Welsh Assembly Government is exposed to negligible currency risk on its foreign currency transactions, except for funds received from the European Union to the Wales European Funding Office which is part of the Department for the Economy and Transport.

As a Government Department, options open to the private sector to mitigate risk in this area are not available. However, total funding received through the European Commission is carefully managed to ensure that the available funding is flexibly allocated to projects to ensure that the targeted expenditure levels are met. In addition, claims for funding from the Commission are made promptly to limit any delays between the incurring of the expenditure and its re-imbusement

## Interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates.

## Student loans

To value the future cash flows of Student Loans, the Welsh Assembly Government has used the Treasury's long term discount rate of 2.2% which represents the governments cost of capital. If an active market existed for student loans, the discount rate applied by potential buyers may be different from the Treasury's 2.2% - reflecting the buyers' cost of capital and assessment of risk. If the discount rate applied was greater than 2.2%, the fair value of the student loans would be lower than the values calculated on the basis applied here. The relationship between the discount rate and the carrying value of the loan book is not linear, and further increases in the discount rate would have smaller additional impacts.

For graduate earnings, the model assumes future real earnings growth (net of RPI inflation) to be 1.95 percentage points, as this is the Treasury's long term forecast. If this fell one percentage point to 0.95% (and this remained the case over the average life of a loan) this would lead to a reduction in the value of the loan book of approximately 5%. The relationship between the earnings growth and the carrying value of the loan book is not linear, and further decreased in long term earnings growth would have greater additional impacts.

## Subsidiary interest rate risk

Finance Wales plc, a subsidiary company of the Welsh Assembly Government, is exposed to interest rate risk arising from borrowing at a margin over variable LIBOR (London inter bank offered rate) and lending to SME's at fixed rates. As tranches of lending accumulate, this risk will be hedged using fixed interest rate contracts known as interest rate swaps.

## Liquidity risk

The Welsh Assembly Government only borrows from the National Loans Fund, and relies primarily on funding received from Parliament via the Welsh Consolidated Fund for its cash requirements. There is no reason to believe that future funding will not be forthcoming, therefore on this basis it is 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 rate risk other than the risks arising from receipt of funds from the European Commission in Euros.