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Welsh Assembly Government  
Llywodraeth Cynulliad Cymru  
Consolidated Annual Report and Accounts 2007-2008

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## **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 2008 except for the Assembly Parliamentary Service. This ceased operations during the year; its functions were transferred from the executive to the National Assembly for Wales Commission, which is outside the Welsh Assembly Government's accounting boundary and hence, it has been disclosed as 'discontinued operations'.

## **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.

This objectives outlined in this document replace the previous year's objectives and where necessary figures have been reclassified accordingly.

### **Sources of funding**

Funding for the Welsh Assembly Government during 2007-08 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 2008 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 the finance function of RCAHMW. Basic Skills Cymru staff were transferred to the Welsh Assembly Government on 4 July 2007 from the Basic Skills Agency. No amendments have been made to the prior year on grounds of materiality.

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 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 £11,770,838,000 (2006-07 - £11,870,405,000). The consolidated net assets have increased by £915,776,000 mainly due to increases in the value of the roads network.

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

Fixed asset additions in the period were £100,780,000. Fixed assets were re-valued in the period, resulting in a net increase in value of £507,199,000 of which £484,492,000 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 2008 the Welsh Assembly Government and its related bodies had investments totalling £2,843,064,000 comprising Public Dividend Capital of £1,552,610,000; Student Loans of £1,242,346,000; property related investments of £33,962,000; interests in joint ventures of £10,905,000; and other loans of £3,241,000.

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 2007-08.

### **Ministers and Senior Officers**

There were 10 Cabinet posts and 4 Deputy Ministers posts during the financial year 2007-08:

<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 (from 19 July 2007)
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 (from 19 July 2007)
Rhodri Glyn Thomas	Minister for Heritage (from 19 July 2007)
Sue Essex	Minister for Finance, Local Government and Public Services (until 2 May 2007)
Alun Pugh	Minister for Culture, Welsh Language and Sport (until 2 May 2007)
Leighton Andrews	Deputy Welsh Minister (from 31 May 2007)
Jocelyn Davies	Deputy Welsh Minister (from 19 July 2007)
John Griffiths	Deputy Welsh Minister (from 31 May 2007)
Gwenda Thomas	Deputy Welsh Minister (from 31 May 2007)
Huw Lewis	Deputy Welsh Minister (from 31 May to 19 July 2007)
Carl Sargeant	Deputy Welsh Minister (from 31 May to 19 July 2007)

### **Senior Officials**

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 Management Board during the year was as follows:

***Board Members******Post Held***

Sir Jon Shortridge KCB	Permanent Secretary
Derek Jones	Senior Director, Policy
Ann Lloyd	Director of Health and Social Services
Richard Davies	Director of Public Service and Performance
Steve Marshall	Director of Children, Education, Lifelong Learning and Skills (until 31/03/08)
Gareth Hall	Director of Economy and Transport
Emyr Roberts	Director of Social Justice and Local Government
Gareth Jones	Director of Environment, Planning and Countryside (until 09/04/07)
Matthew Quinn	Director of Environment, Sustainability and Housing (from 05/11/07)
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	Strategy, Equality and Communications Director
June Milligan	Business Development Director
Tony Jewell	Chief Medical Officer
Kathryn Bishop	Non-Executive Director
Elan Closs Stephens	Non-Executive Director (from 15/01/08)
Sir Adrian Webb	Non-Executive Director (on sabbatical: took up post 01/01/08)

Membership of each of the management boards within HCW, the Local Health Boards, and the subsidiary companies are detailed in their individual accounts for 2007-08.

**Senior official appointments**

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

Management Board Directors are appointed at the discretion of and by the Permanent Secretary. Civil Service Commissioners chair all openly recruited interview panels for Management 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 2007-08.

### **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 Management 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 42 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 aims to pay 100% of invoices including disputed invoices once the dispute has been settled, in line with these terms. During the year ending 31 March 2008, the Welsh Assembly Government paid 99% of all invoices within the terms of its payment policy. No interest payments were made on late invoices. 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.

### **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 Note 6 - Programme Costs.

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

Dame Gillian Morgan became the Permanent Secretary of the Welsh Assembly Government and Principal Accounting Officer on 1 May 2008.

On the 16 July 2008, the Minister for Health and Social Services announced the result of her consultation paper 'Proposals to Change the Structure of the NHS in Wales'. The Minister intends to

work up proposals in Autumn 2008 for the establishment of seven health organisations to take on the functions carried out by both NHS Trusts and Local Health Boards, and consult further at that time.

**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**  
**11 September 2008**



## **Leadership and Direction**

As Permanent Secretary and Principal Accounting Officer, I am supported by a Management Board which consists 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 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.

A number of sub-committees reported to the Board during 2007-08:

- Policy Committee
- Corporate Governance Committee
- Human Resources Committee, replaced in-year by a Corporate Services Committee
- Strategy Committee
- Remuneration Committee
- Internal Communications Committee.

The Board's business is regularly communicated to staff using the electronic news page and staff are also encouraged to attend meetings as observers. Board members have also hosted Question & Answer sessions for staff in Assembly Government offices across Wales and during 2007-08 the Board held two of their monthly meetings outside Cardiff.

The Shadow Management Board initiative, established in 2006 with the aim of bringing fresh and more diverse perspectives to the deliberations of the Management Board and to contribute to the strategic management and development of the organisation, has continued. Following an evaluation of the initiative the Shadow Board has been developed and extended and the third cohort are now in place.

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

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

### **Our Leadership Approach:**

- In the Staff Survey 2006, only 24 per cent of respondents gave a positive response to the statement, "Good leadership is developed at all levels in the Welsh Assembly Government". The survey results also showed that staff levels of trust were highest in their own local leadership, decreasing as that leadership became more remote, and with the lowest levels of confidence in leadership at Board level.
- In response, and working with Internal Communications colleagues, we put to the Board a more coherent approach to leadership, which replaced various unrelated briefing mechanisms and for the first time explicitly valued the leadership offered by the 1000 plus leaders, rather than just the Permanent Secretary and Management Board.

- This more distributed leadership model is much more relevant in an organisation with a broad range of delivery responsibilities and which is also increasingly geographically distributed.
- The more coherent approach uses the headline messages from the Board's Future Strategic Direction as themes for a series of events held across Wales each quarter. These are led off by a Leadership Forum for the Senior Civil Service, followed by 10 Leadership events across Wales for team leaders which include "big picture" context delivered by Board members, practical leadership workshops and an opportunity for the local network of leaders to focus on something of importance to them. A written Leadership Brief gives team leaders the information they need to communicate with their staff each quarter, supplemented as necessary by Leadership Updates.
- We have evaluation arrangements in place for the approach, including feedback from those attending on the day supplemented by targeted approaches to the eligible group, whether or not they attended. Early indications are that those team leaders who have attended have found value in the events, and 87% of those approached saw them as something they would attend, even if they had not yet done so. There is more to do to build on these foundations.
- We are using the Forum and networks planned for the next quarter as the opportunity for me as the new Permanent Secretary to engage with the Assembly Government across Wales. The theme identified for the quarter is "Aspiration", allowing me to articulate and convey my own personal aspiration for the Assembly government across the organisation and across Wales.

## **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 and two of its Carmarthen offices (Picton Terrace and Hill House) joining thirteen offices from the merged organisations. 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 Bedwas and Llandrindod Wells Offices by September 2008 and across the Welsh Assembly Government estate by July 2009. 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 has also initiated a Carbon Management Study in 2007 in conjunction with the Carbon Trust to produce a detailed project implementation plan to reduce CO<sub>2</sub>

emissions on the estate starting with emissions from energy used in Welsh Assembly Government offices and on business travel.

## **IiP**

The Welsh Assembly Government has been IIP accredited since 1999 and undergoes a voluntary annual assessment as part of its commitment to the Standard. We had a very successful review in November 2007 where it was identified that we continued to meet the new standard and in fact exceeded in several areas.

The assessors praised the work that has been done by all staff to implement the staff survey and IiP action plans. Their overall impression was of an organisation where staff are enthusiastic about their work and take pride in delivering services for the people of Wales.

The areas where the assessors felt we excelled were:

- clear vision and strategy for the organisation through *One Wales* ;
- involvement of the majority of staff at all levels in business planning linked to *One Wales*;
- strong performance management system linking strategic business planning to individual objectives;
- managers using the performance management system to give regular and constructive feedback on performance;
- significant investment in learning and development with a real emphasis on evaluating the impact; and,
- focus on leadership development and supporting this through learning programmes and communications such as the leadership networks.

Positive examples of change were also given by staff who felt that streamlined HR and Finance processes had improved the way we do business. Visibility of senior management was also felt to have improved and staff also said that being part of a large organisation, committed to learning and development had widened their career opportunities.

Our next annual review will be held in November 2008 when we will be reviewed against the IIP Profile standard.

## **Location strategy**

Our Location Strategy Programme supports the Welsh Assembly Government to transform from a centrally focused organisation into an all-Wales organisation, so that service delivery is improved and made more accessible to the people of Wales. The programme involves the construction of three new Assembly Government offices, situated in Merthyr Tydfil, Llandudno Junction and Aberystwyth, as well as relocating posts into those offices. The programme will reflect the Welsh Assembly Government's sustainable development duty by achieving Building Research Establishment's Environmental Appraisal Method (BREEAM) 'Excellent' ratings for each building. Transport plans established for each site will ensure that the future operation of the offices is environmentally friendly.

Further progress on our Location Strategy was made during the year. The new office in Merthyr Tydfil, which opened in October 2006, was awarded its BREEAM 'Excellent' certificate for sustainable development in May 2007. Three work areas within the Merthyr Tydfil office are piloting new innovative ways of working to inform future policy development. An evaluation of the

pilot has been carried out and a report on the findings is now being produced. This policy will be incorporated into the design of the new offices at Llandudno Junction and Aberystwyth. Transitional accommodation to allow teams relocating from Cardiff to establish a presence in Aberystwyth ahead of the office opening was successfully opened in September 2007. Significant progress on construction is detailed below.

### Aberystwyth

A two stage NEC3 contract approach has been followed: Stage 1 involved a period of collaborative design under the Professional Services Contract (PSC). This concluded in summer 2007. Stage 2 Construction activity is being carried out under the Engineering Construction Contract (ECC) which was signed in September 2007. Both contacts were awarded to Carillion National Buildings Limited following a major OJEU competitive process.

Planning permission was granted in September 2007 with the pre construction conditions discharged in December 2007.

Construction activity is progressing on site, with the structural steelwork package now well underway. As with any construction programme factors like prolonged bad weather could affect the timeline. Overall confidence levels remain high that the construction activity will be completed as expected in spring 2009. There will then follow a three month client fit-out of the building with occupation expected summer 2009.

As part of the Welsh Assembly Government's policy of reducing our Carbon Footprint and encouraging all forms of 'green energy' officials are in discussion with Ceredigion County Council regarding the possibility of a collaborative partnership to heat both of our buildings using biomass fuel from a shared facility. In doing so we will be building on our experience of sustainable energy systems utilised in the Senedd.

### Llandudno Junction project

In May 2006 an NEC3 Professional Services contract (PSC) for the design of the office was let to HBG Construction. In January 2007 the First Minister took the decision to suspend further work on the design of the project in order to ensure that we had clearly defined our requirements and to look again at the overall cost plan.

On conclusion of the Pause & Review the PSC was terminated on completion of the design work to RIBA F1 Stage (suitable for tender purposes). Completion of this design work was necessary in order to go back out to the market with a more clearly defined requirement.

Planning permission for the scheme was granted in March 2007. Officials submitted a Section 73b Planning application to Conwy County Borough Council in April 2008. The application is required as the gross internal floor area of the building has now reduced, however it will still accommodate up to the 650 posts.

A Prior Information Notice (PIN) issued in December 2007 alerting the market to the impending OJEU publication of an Invitation of Expressions of Interest for the re-procurement of the project, was issued on 26 March 2008. Since the advert issued several credible contractors have shown an interest in undertaking this development. It is expected that we will be in a position to enter into a contract in the summer 2008 with construction completed towards the end of 2009. There will then be a period of client fit-out leading to mobilisation in summer 2010.

## **Equality and Diversity**

The Welsh Assembly Government is committed to mainstreaming equality throughout all its policies and practices and in its treatment of staff and potential employees.

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.

During 2007-08 we worked on programmes of action described within the Welsh Assembly Government Race, Gender and Disability schemes. To ensure that staff understand their personal responsibilities in these and other equality strand areas, awareness sessions have been delivered across Welsh Assembly Government offices in Wales. Consultation on a new Welsh Assembly Government Single Equality Scheme was launched in March 2008, representing the culmination of significant development work during the year. We launched a 2006–2008 Diversity Delivery Plan in 2006 in response to Cabinet Office's 10 point plan and have achieved well in the wider action areas contained within the plan, while experiencing some difficulty in achieving senior recruitment targets. Peer review and other monitoring of progress by the Cabinet Office has shown that the Welsh Assembly Government has performed well compared to other Government Departments.

During the year we participated in diversity benchmarking exercises, receiving an improved Gold Award for our work on gender benchmarking, and a Silver Award for our race benchmarking. We rose from 51<sup>st</sup> to 43<sup>rd</sup> place in the Stonewall 2008 Workplace Equality Index; we were the second highest scoring organisation in Wales and the 4<sup>th</sup> highest government department. We also received Age Positive Champion status. We won an Employers' Forum on Disability Diamond Award for recruiting disabled people.

During a recruitment moratorium in South Wales we have developed an Outreach programme to lay foundations for future recruitment from under-represented groups. In 2007-08 we doubled the number of events organised and attended compared to the previous year. Activities included mock interviews with school pupils; Enterprise days and working with potential future role models from Black Minority Ethnic communities. Adverts were placed in the minority press to coincide with specific events, e.g. Black history month, ensuring maximum exposure and promoting the Assembly Government's placement schemes, recruitment opportunities and equality events. Working links across the Assembly Government were developed to support future outreach and recruitment activity, making use of the Staff Networks in producing adverts and editorials aimed at specific groups and in developing a network of volunteers to support at events.

The programme of placements offered was expanded in 2007-08, following an evaluation of schemes in 2006-07. Placements included a two week programme of work shadowing for women from black minority ethnic backgrounds in partnership with Women Connect First, 50 week placements for graduates with disabilities in partnership with SCOPE and successfully hosting a group of 9 Chevening Scholars from different countries. During a two-week programme the Scholars had a chance to meet the First Minister and the Permanent Secretary as well as share ideas from their home nations with Policy departments.

We have also sought more actively to engage particular groups of staff, and have established two new networks to reflect the needs of women, and minority ethnic staff. A newly created post of staff network liaison officer has ensured that the four networks are now routinely involved in consulting on HR policy and helping develop outreach and placement strategies alongside supporting their

members. We have also made key links with A:Gender which is a civil service wide trans-gender network, and are leading an equality monitoring project on behalf of the Cabinet Office.

The Welsh language is recognised as one of our key organisational priorities. We operate a comprehensive Welsh Language scheme, which sets out how we treat both languages equally.

### **Sickness Absence**

The average running rate of absence of 8.3 days per person in 2007 was almost 10% lower than the 2006 level of 9.0 days per person and was over 20% lower than the 2003 rate of 10.7 days per person. This continued focus on reducing sickness absence levels has brought financial benefits of around £2 million per year and improved services for customers. Our management of sickness absence has been cited as an example of best practice by the Wales Audit Office, with a summary of our practices and procedures published on their website. Whilst the current system is considered to be good practise we believe there is under-reporting, and therefore we are investing in changes to improve the accuracy of reporting.

### **Business Continuity**

Business continuity planning for normal business is being embedded into departmental activities. As Departments continue to introduce individual business continuity plans, each is holding a desktop exercise to test their preparedness for disruption. Some Departments have held more than one exercise. In 2007–08 four desktop exercises were held bringing the total to ten. New deadlines have been set for plans currently outstanding and for corresponding desktop exercises.

Significant revision to a number of portfolios slowed progress in 2007. The Emergency Planning College (Cabinet Office) provided an Awareness Workshop for Departmental Business Continuity Co-ordinators in February 2008. Regular reports are being submitted to Corporate Services Committee. The first annual Business Continuity Management Report was submitted to Management Board on 29 February 2008.

### **Staff survey**

In 2008/9 we redesigned our annual staff survey to better understand the factors that are driving staff satisfaction/engagement. The 2008 survey (carried out in January and February) received a 70% response rate, up from 61% the previous year. Overall, our performance has improved. Of the 26 questions that are directly comparable with last year, our performance improved in 19 cases. Of the 28 questions for which there is comparable data across Government, our scores are higher for 16 of them. We scored particularly well in relation to staff understanding how their work contributes to divisional and organisational objectives, and the opportunities staff have for training and development. We have identified areas for improvement and will be carrying out follow-up research to support the development of corporate and departmental action plans.

### **Government of Wales Act 2006**

Separation between the Welsh Assembly Government and the National Assembly for Wales took effect on the appointment of the First Minister at the end of May 2007, but for accounting purposes the two organisations were treated as being separate from 1 April 2007.

## **Openness and accessibility**

The Welsh Assembly Government has continued to respond to requests for information in accordance with our Code of Practice on Access to Information. During 2007-08, we received 535 requests for information and released a large quantity and range of information in response to those requests. We continued to make no charge for dealing with any requests for information, despite some of them being large and complex.

As in previous years, the Welsh Assembly Government also routinely published a considerable amount of information in line with the commitments set out in our Publication Scheme. This has resulted in a wide range of information - including Ministerial decisions, Cabinet papers and minutes - continuing to be readily available for everyone to access.

The Welsh Assembly Government is still one of the most open administrations in Europe and to reconfirm its commitment to openness, it implemented a new Code of Practice on Access to Information in November 2007. The new Code establishes an on-going commitment to creating greater openness through the substantial harm test which it establishes and applies to the majority of exemptions to the requirement to release information which are subject to the public interest test in law. To support the implementation of the new Code, new guidance for staff handling requests for recorded information was implemented which embeds lessons learnt from experience and consolidates previous pieces of guidance into one more user-friendly document. A new staff training module has also been developed and our Community of Practice has continued to be an important forum for sharing experience and knowledge.

A report on the Assembly Government's implementation of open government legislation and policies during 2007 was published in April 2008.

## **ICT Contingency Planning**

The ICT contingency plans have been revised to reflect the establishment of the new ICT Services Division. To test the robustness of the plans three tabletop exercises have been conducted specifically looking at the response to differing scenarios. The scenarios included a major interruption to services from the CP1 datacentre facility, the inability for ICT staff to gain entrance for a sustained period to the ICT Services accommodation, and the response and ICT services required in connection with a wider civil emergency.

A major re-design and proof of concept of the Transformation project has also been completed. The proof of concept has included a comprehensive review of the way in which ICT systems are protected from a major incident. The new design replicates core ICT systems in two data centres so that if there is a failure in one of the centres the other will take over without loss of services. As part of this new design the server room in CP1 will not provide day to day services, rather will provide facilities for the development and testing of new systems. The intention is that the two data centres will be operational during 2008/9.

## **Corporate Finance Change Programme**

The Management Board commissioned a Corporate Finance Change Programme during 2007 in order to modernise and streamline the financial processes of the Welsh Assembly Government. An Enterprise Resource Planning System has been purchased which will enable the organisation to

standardise processes and activities in order to deliver the most cost effective and efficient services to the people of Wales.

This Corporate Finance Change Programme will create a strategic finance function which challenges and supports the organisation in order to deliver cost effective and best value outcomes which meet the policy objectives of the Welsh Assembly Government. It will also mean better control and safeguarding of public assets and it will enhance the Welsh Assembly Government's reputation for financial governance and control within the public sector in Wales.

The requirement to account for a new Consolidated Fund under the Government of Wales Act 2006, the establishment of a Finance sub-committee and the goals identified in the Beecham Review have contributed to the need to improve our financial systems and financial management.

It is anticipated that this Finance Change Programme will take about 2 years to be fully implemented. On April 1<sup>st</sup> 2008 the first phase of the new technical platform was successfully installed; this established the initial footprint on which a reliable and future proof technology platform to meet ongoing organisational requirements is being built. The new system will make managing the Welsh Assembly Government's money far more efficient and effective.

### **Risks and uncertainties**

The Management Board regularly reviews the Welsh Assembly Government's corporate risk register to ensure that action is being taken to manage issues that may obstruct the delivery of our programmes. The Corporate Governance Committee, a sub-committee of the Management Board, worked to a structured agenda programme throughout the year which incorporated a systematic look at risks and at the plans and findings of our Internal Audit Service. All Departments hold and manage their own risk registers which link into the corporate risk register. These Departmental Registers are reviewed by senior management and departmental Corporate Governance Committees during the year.

During 2007-08 the focus of our risk management was on the Location strategy, implementation of the Government of Wales Act 2006 and the development of the Corporate Finance Change Programme. Each of these activities was managed through a project board to ensure that all risks were properly identified and minimised, with necessary contingency plans prepared.

Progress has continued to be made to improve the processes, awareness and understanding of risk management across the Assembly Government. Awareness raising in the management of risk was supported by training sessions for staff and facilitated workshops for senior management. Our risk management systems will continue to be reviewed and improved in 2008-09, 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.

### **Update on the development of Local Service Boards/Local Service Agreements**

In line with *One Wales* and *Delivering Beyond Boundaries*, The Department for Public Services and Performance is establishing a new leadership model for local service delivery by introducing local service boards (LSBs) in all 22 local authority areas by end 2008. The LSBs are leadership teams focussing on stubborn problems that can only be resolved by collaboration across sectors. The



approach is engaged, active and partnership oriented. It has three broad dimensions: culture, whole systems, and delivery.

To develop the model, six pilots were established in 2007-08. Each is now negotiating a project-based local delivery agreement as partners with the Assembly Government. In total the six pilot LSBs will be progressing 25 projects through Local Delivery Agreements and all six have at least one project associated with some aspect of integration in health and social care. By 2009, all 22 boards will have a local delivery agreement in place. By 2010 all will have established the capacity to make a measurable initial impact on improving the impact of existing systems on outcomes for citizens.

An independent baseline review of the early experience of the six has concluded that Local Service Boards are energising local public service leadership and that there is a broadening and deepening of engagement within partner bodies. It shows favourable comparisons with the former community strategy partnerships on issues such as delivery, operationalising, and partnership culture. We plan to revisit the baseline by carrying out an evaluation in 18 month's time.

We are implementing a substantial associated programme to sustain an Assembly Government presence at Senior Civil Service level on all local service boards, as part of a commitment to engaged leadership (support and challenge). The baseline review and anecdotal reports from Local Service Board teams suggest that the engagement with the Welsh Assembly Government Senior Civil Servants is highly valued.

## **Efficiency and Procurement**

On efficiency gain, a programme of measures has been put in place which is designed to help embed efficiency more fully into day-to-day processes, and to address issues raised by the Auditor General and the Audit Committee. We are committed to enabling the achievement of efficiency gains of £600m a year across the public sector – effectively 1% annually to generate cash and non cash releasing savings for reinvestment locally.

Through more effective collaborative working, smarter procurement, better use of capital and property, and shared services Value Wales have directly enabled the public sector in Wales to realise efficiency improvements in excess of £60m to date. Examples include the following:

- *All Wales Sourcing Plan* - a system that helps public bodies to aggregate purchasing decisions so as to get better deals in the market place.
- *Schools Revenue Project* – helps schools get more from revenue budgets. Savings of up to a potential £20 million have been identified thus far through effective use of collaborative frameworks.
- *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.
- *Wales Purchasing* – to achieve a progressive increase in the amount of public purchasing sourced from Wales through the '*Opening Doors*' Charter for SME friendly procurement.
- *Sharing Services* – The Public Service Broadband Aggregation Project will provide the capability to share information securely and facilitate collaboration between several sectors.

E-Procurement has also taken a step forward in the shape of the XchangeWales programme. Funding has now been secured for the five year life of this programme which aims to deliver a suite

of eProcurement tools that will enable all public sector organisations in Wales to source and buy goods and services online more effectively. This will lead to significant savings for reinvestment amounting to a potential £200m over five years.

### **Reporting of Personal Data Related Incidents**

In April 2008, the Cabinet Office issued guidance regarding the Reporting of Personal data related incidents and audited bodies' responsibilities in relation to monitoring and assessment of such risks.

During 2007/08, the Welsh Assembly Government reviewed its arrangements and implemented additional systems to develop these arrangements. My predecessor as Principal Accounting Officer and Permanent Secretary, Sir Jon Shortridge, wrote to all Assembly Government Sponsored Public bodies on this issue and similar letters were also sent, by the relevant sponsor departments to NHS and local government bodies.

For 2008/09 I will obtain assurances from Additional Accounting Officers in respect of compliance against the Welsh Assembly Government's arrangements, and will make requests of the other bodies within the Welsh Assembly Government's accounting boundary that data security measures were in place during the year to support disclosure.

**Dame Gillian Morgan**  
**Permanent Secretary and Principal Accounting Officer**  
**11 September 2008**

## **REMUNERATION REPORT 2007-08**

### *Remuneration Policy*

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on departments to meet the output targets for the delivery of departmental services;
- the funds available to departments as set out in the Government's departmental expenditure limits;
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com).

## **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 2007-08.

## **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.

	<b>2007-08</b>	<b>2006-07</b>
<b>Ministers</b>	Salary £	Salary £
Rhodri Morgan <i>First Minister</i>	127,962	122,682
Ieuan Wyn Jones (from 19 July 2007) <i>Deputy First Minister</i>	63,815 (Full year equivalent 90,479)	-
Andrew Davies <i>Welsh Minister</i>	90,479	85,868
Jane Davidson <i>Welsh Minister</i>	90,479	85,868
Sue Essex (to 2 May 2007) <i>Welsh Minister</i>	7,720 (Full year equivalent 90,479)	85,868
Dr Brian Gibbons <i>Welsh Minister</i>	90,479	85,868
Edwina Hart MBE <i>Welsh Minister</i>	90,479	85,868
Jane Hutt <i>Welsh Minister</i>	90,479	85,868
Carwyn Jones <i>Welsh Minister</i>	90,479	85,868
Elin Jones (from 19 July 2007) <i>Welsh Minister</i>	63,815 (Full year equivalent 90,479)	-
Alun Pugh (to 2 May 2007) <i>Welsh Minister</i>	7,720 (Full year equivalent 90,479)	85,868
Rhodri Glyn Thomas (from 19 July 2007) <i>Welsh Minister</i>	63,815 (Full year equivalent 90,479)	-
	<b>2007-08</b>	<b>2006-07</b>
	Salary £	Salary £
Leighton Andrews (from 31 May 2007) <i>Deputy Welsh Minister</i>	63,423 (Full year equivalent)	-

	73,178)	
Jocelyn Davies (from 19 July 2007) <i>Deputy Welsh Minister</i>	53,279 (Full year equivalent 73,178)	-
John Griffiths (from 31 May 2007) <i>Deputy Welsh Minister</i>	63,423 (Full year equivalent 73,178)	-
Gwenda Thomas (from 31 May 2007) <i>Deputy Welsh Minister</i>	63,423 (Full year equivalent 73,178)	-
Huw Lewis (from 31 May to 19 July 2007) <i>Deputy Welsh Minister</i>	10,144 (Full year equivalent 73,178)	-
Carl Sargeant (from 31 May to 19 July 2007) <i>Deputy Welsh Minister</i>	10,144 (Full year equivalent 73,178)	-

All benefits in kind are £nil.

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>Officials</b>	<b>2007-08</b>		<b>2006-07</b>	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Sir Jon Shortridge <i>Permanent Secretary</i>	185-190	0	180-185	0

<b>Officials</b>	<b>2007-08</b>		<b>2006-07</b>	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
Derek Jones <i>Senior Director</i>	135-140	0	130-135	0
Huw Brodie <i>Director</i>	100-105	0	90-95	0
Ann Lloyd <i>Senior Director</i>	165-170	0	175-180	0
Richard Davies <i>Director</i>	110-115	0	110-115	0
Bernard Galton <i>Director</i>	110-115	0	115-120	0
Hugh Rawlings <i>Director</i>	100-105	0	90-95	0
Gareth Jones (to 09/04/07) <i>Director</i>	5-10 (full-year equivalent 90-95)	0	100-105	0
Jeff Godfrey <i>Director</i>	105-110	0	95-100	0
Michael Harrington <i>Director</i>	85-90	0	90-95	0
Steve Marshall (to 31/03/08) <i>Senior Director</i>	155-160	0	150-155	0
Emyr Roberts <i>Director</i>	100-105	0	90-95	0
Gareth Hall <i>Senior Director</i>	140-145	0	125-130	1,800
Christine Daws <i>Director</i>	120-125	0	60-65 (Full year equivalent 110-115)	-
June Milligan <i>Director</i>	95-100	0	75-80 (Full year	-

Officials	2007-08		2006-07	
	Salary £000	Benefits in kind (to nearest £100)	Salary £000	Benefits in kind (to nearest £100)
			equivalent 90-95)	
Tony Jewell <i>Director</i>	160-165	0	40-45 * (Full year equivalent 150-155)	-
Matthew Quinn <i>Director</i> (In post 05/11/07)	35-40 (Full year equivalent 90-95)	0	-	-
Sir Adrian Webb ** <i>Non-Executive Director</i> (In post 01/01/08)	0-5 (Full year equivalent 10-15)	0	5-10 *** (Full year equivalent 10-15)	0
Kathryn Bishop <i>Non-Executive Director</i>	10-15	0	10-15 ****	0
Elan Closs Stephens <i>Non-Executive Director</i> (In post 15/01/08)	0-5 (Full year equivalent 10-15)	0	-	-

\* The part year figure for Tony Jewell in the 2006-07 Remuneration Report has been restated. Tony Jewell was appointed to the Senior Management Board on 20 December 2006. The remuneration shown reflects his period of service on the board..

\*\* Sir Adrian Webb was granted a sabbatical from the Management Board in February 2007 although he continued to chair the Corporate Governance Sub-Committee and to be a corresponding member of the Remuneration Committee. During his sabbatical he completed a review on behalf of the Welsh Assembly Government entitled "An Independent Review of the Mission and Purpose of Further Education in Wales in the Context of the Learning Country: Vision into Action". He received £32,025 for this work.

\*\*\* The 2006/07 figure for Sir Adrian Webb has been restated to include accrued remuneration for the services provided as a Non-Executive Director in 2006/07.

\*\*\*\* The 2006/07 figure for Kathryn Bishop has been restated to include remuneration for the services provided as a Non-Executive Director in 2006/07.

## 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.

### Pension Benefits

<b>Ministers</b>	Accrued pension at age 65 as at 31/3/08	Real increase in pension at age 65	CETV at 31/3/08	CETV at 31/3/07	Real increase in CETV
	£000	£000	£000	£000	£000
Rhodri Morgan <i>First Minister</i>	20-25	2.5-5.0	468	361	81
Ieuan Wyn Jones (from 19 July 2007) <i>Deputy First Minister</i>	15-20	0-2.5	263	208	15
Jane Davidson <i>Welsh Minister</i>	15-20	2.5-5.0	231	178	31
Andrew Davies <i>Welsh Minister</i>	15-20	2.5-5.0	281	215	41
Sue Essex (to 2 May 2007) <i>Welsh Minister</i>	15-20	0-2.5	271	278	3
Dr Brian Gibbons <i>Welsh Minister</i>	35-40	2.5-5.0	572	470	57
Edwina Hart MBE <i>Welsh Minister</i>	20-25	2.5-5.0	279	220	33
Jane Hutt <i>Welsh Minister</i>	25-30	2.5-5.0	422	337	50
Carwyn Jones <i>Welsh Minister</i>	15-20	2.5-5.0	159	122	19



	Accrued pension at age 65 as at 31/3/08	Real increase in pension at age 65	CETV at 31/3/08	CETV at 31/3/07	Real increase in CETV
	£000	£000	£000	£000	£000
Alun Pugh (to 2 May 2007) <i>Welsh Minister</i>	10-15	0-2.5	141	145	2
Elin Jones (from 19 July 2007) <i>Welsh Minister</i>	10-15	0-2.5	114	89	5
Rhodri Glyn Thomas (from 19 July 2007) <i>Welsh Minister</i>	10-15	0-2.5	157	119	13
Leighton Andrews <i>Welsh Minister</i> (from 31 May 2007)	15-20	0-2.5	212	171	8
Jocelyn Davies <i>Welsh Minister</i> (from 19 July 2007)	10-15	0-2.5	118	91	7
John Griffiths <i>Welsh Minister</i> (from 31 May 2007)	10-15	0-2.5	136	103	11
Gwenda Thomas <i>Welsh Minister</i> (from 31 May 2007)	5-10	0-2.5	200	163	14
Huw Lewis <i>Welsh Minister</i> (from 31 May to 19 July 2007)	5-10	0-2.5	82	77	1
Carl Sargeant <i>Welsh Minister</i> (from 31 May to 19 July 2007)	0-5	0-2.5	38	35	1

<b>Officials</b>	Accrued pension at pension age as at 31/3/08 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/08	CETV at 31/3/07	Real increase in CETV
	£000	£000	£000	£000	£000
Sir Jon Shortridge <i>Permanent Secretary</i>	80-85 plus lump sum of 250-255	0-2.5 plus lump sum of 5-7.5	2,189	1,893	57
Derek Jones <i>Senior Director</i>	50-55 plus lump sum of 150-155	2.5-5 plus lump sum of 7.5-10	1,133	935	66
Huw Brodie <i>Director</i>	30-35 plus lump sum of 95-100	2.5-5 plus lump sum of 7.5-10	618	490	50
Ann Lloyd <i>Senior Director</i>	10-15 plus lump sum of 40-45	0-2.5 plus lump sum of 5-7.5	356	275	44
Richard Davies <i>Director</i>	50-55 plus lump sum of 150-155	0-2.5 plus lump sum of 5-7.5	1,224	1,048	29
Bernard Galton <i>Director</i>	40-45 plus lump sum of 130-135	0-2.5 plus lump sum of 2.5-5	858	731	21
Hugh Rawlings <i>Director</i>	40-45 plus lump sum of 120-125	2.5-5 plus lump sum of 10-12.5	952	772	71
Gareth Jones <i>Director</i> <i>(until 09/04/07)</i>	30-35 plus lump sum of 95-100	0-2.5 plus lump sum of 0-2.5	538	558	0
Jeff Godfrey <i>Director</i>	25-30 plus lump sum of 85-90	0-2.5 plus lump sum of 5-7.5	519	420	31
Christine Daws <i>Director</i>	30-35 plus lump sum of 100-105	0-2.5 Plus lump sum of 5-7.5	709	580	43

<b>Officials</b>	Accrued pension at pension age as at 31/3/08 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/08	CETV at 31/3/07	Real increase in CETV
	£000	£000		£000	
Michael Harrington <i>Director</i>	5-10	0-2.5	139	98	25
Steve Marshall <i>Senior Director</i>	5-10	2.5-5	104	48	25
Emyr Roberts <i>Director</i>	25-30 plus lump sum of 85-90	0-2.5 plus lump sum of 2.5-5	556	456	21
Gareth Hall <i>Senior Director</i>	50-55	50-52.5	905*	27	379
Matthew Quinn <i>Director</i> (in post 05/11/07)	20-25 plus lump sum of 65-70	0-2.5 plus lump sum of 5-7.5	374	305	31
June Milligan <i>Director</i>	30-35 plus lump sum of 90-95	0-2.5 plus lump sum of 5-7.5	559	453	30
Tony Jewell <i>Director</i> (In post 18/04/06)	0-5	0-2.5	73	32	32

Due to certain factors being incorrect in last years CETV calculator there may be a slight difference between the final period CETV for 2006/07 and the start of period CETV for 2007/08.

\* During the year Gareth Hall transferred a deferred pension into the Principle Civil Service Pension Scheme.

## **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 purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries 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**

**11 September 2008**

**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 2008 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, 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. Before the section took effect the Permanent Secretary was the designated Principal Accounting Officer of the National Assembly for Wales under Section 98 of the 1998 Act with responsibility for the overall organisation, management and staffing of the Welsh Assembly Government as then constituted. This included 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 (FRM), 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 FRM 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' 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 OF INTERNAL CONTROL 2007-08**

### **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:

- appointment of Non-Executive Directors to the Welsh Assembly Government's Management Board;
- introducing the National Assembly for Wales' Audit Committee recommendation for non-executive members to chair all committees;
- 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 heads of department with responsibility for programme expenditure as Additional Accounting Officers (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.

Additional Accounting Officers have established their own corporate governance committees to support them by monitoring and reviewing 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 2008 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 Accounting Officer, I have taken personal responsibility for improving the Welsh Assembly Government's capacity to handle risk. We continue to engage with HM Treasury's Assurance, Control and Risk Team and the dissemination of good practice via the Risk Improvement Manager Network. My Risk Improvement Manager is leading a programme of reviewing and improving risk management practice and supports senior management in ensuring that there is a clear and balanced account of risk judgements and management actions. To further build the capacity a series of facilitated risk management workshops for senior managers has been rolled out. Individual 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 site 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 Environment**

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

- departmental risk registers – giving identification of 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;
- Management Board risk register – which sets out the corporate risks facing the Welsh Assembly Government;
- a sub-committee of the Management Board considers 'risk of the month' and departmental 'top ten' risk reports;
- regular review and update of departmental risk registers by the departments themselves; and
- each Corporate Governance Committee monitors the operation of departmental risk reports.



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

- awareness raising through delivery of a training module to key staff;
- development of a policy making 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.

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 Corporate Finance Change Programme (IDEAS). This is a continuous improvement programme aimed at improving financial management across the Welsh Assembly Government and addressing some of the weaknesses that have been identified in relation to the current financial and procurement processes and procedures. Phase 1 of the programme, the installation of an Enterprise and Resource Planning (ERP) system so that all finance activity is accessed through an ERP Portal to a SAP system, went live on 1 April 2008.

The Government of Wales Act 2006 introduced separate ambits for expenditure by each department of the Welsh Assembly Government, and resources drawn from the Welsh Consolidated Fund against each ambit are now being monitored through the new finance system.

Several former Assembly Government Sponsored Bodies were incorporated into the Welsh Assembly Government in April 2006. In addition, a number of new Ministerial portfolios were established following the May 2007 elections and the formation of the current coalition government. Subsequently a number of departments, overseen by the relevant Additional Accounting Officers are undertaking extensive reorganisation to enhance operational effectiveness. Action is in place to address the risk inherent in the higher than expected level of vacancies in the Department for Children, Education, Lifelong Learning and Skills at the time of transition.

Our corporate IT network is compliant with government GSi Code of Connection. The Single Farm Payment system, related parts of the finance system and the corporate network that supports this are compliant with ISO 27001.

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 and Avian 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 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 Board 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, 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 Management Board. During the year, Internal Audit Services undertook an Assembly Government wide review of procurement which identified two key issues. Firstly, there is an absence of a clear procurement model or framework within the Welsh Assembly Government which sets out the framework of responsibilities between Corporate Procurement Services and departmental heads/Additional Accounting Officers. Secondly, there are significant weaknesses in the management information relating to procurement in terms of both the quality and quantity of information. I have in place an action plan to address these weaknesses.

Progress has been made in developing an inventory of assets held under the Assembly Government's ICT contract. However, a number of control issues are still being addressed, including better control over payments made under this contract and safeguarding of public assets.

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**  
**11 September 2008**

## **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 2008 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, 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 2008 and the 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  
18 September 2008

24 Cathedral Road  
Cardiff

**Welsh Assembly Government  
Summary of Resource Outturn  
For the year ended 31 March 2008**

	Budget	Outturn	Outturn compared with Budget
	£000	£000	£000
<b>PROGRAMME RESOURCES</b>			
	Net expenditure	Net expenditure	
Health and Social Services	4,623,062	4,512,892	110,170
Social Justice & Local Government	3,333,203	3,302,125	31,078
Environment, Sustainability & Housing	668,867	657,134	11,733
Economy and Transport	1,520,365	1,315,668	204,697
Children, Education & Lifelong Learning	1,837,136	1,817,841	19,295
Rural Affairs	129,137	119,503	9,634
Heritage	151,046	147,677	3,369
Public Services and Performance	59,191	53,837	5,354
Central Administration	352,082	339,517	12,565
<b>Total Resource and Capital requirements</b>	<b>12,674,089</b>	<b>12,266,194</b>	<b>407,895</b>

**Explanation of Major Variances**

	£000	£000
	Variances resources	Variances cash
Health & Social Services – non cash Welsh Risk Pool provision, underspends on Pharmacy £5m, and General Medical Services Budget £12m	110,170	33,106
Social Justice & Local Government –technology delays on Fire & Rescue projects £18m, and on other project delays £12m	31,078	31,078
Environment, Sustainability & Housing – Social Housing Grants £8m	11,733	11,733
Economy & Transport – non cash roads costs lower than budgeted, and lower capital property and roads project spend of £67m	204,697	109,235
Children, Education & Lifelong Learning – Learning provision underspends £8m, Flying Start slower than expected £5m	19,295	19,295
Central Administration –delays in capital spend on relocation strategy	12,565	12,565
Other departments	18,357	18,357
<b>Total</b>	<b>407,895</b>	<b>235,369</b>

**Welsh Assembly Government  
Net Cash Requirement 2007-08**

	Note	£000
Authorised for issue from Welsh Consolidated Fund		11,897,041
Funding drawn down	23	11,820,081
<b>Undrawn funding</b>		<b>76,960</b>

The Notes on pages 43 to 93 form part of these accounts.

**Operating Cost Statement  
For the year ended 31 March 2008**

		Year ended 31 March 2008		Year ended 31 March 2007	
		WAG £000	Consolidated £000	WAG £000	Consolidated £000
<b>CONTINUING OPERATIONS</b>					
<b>PROGRAMME COSTS</b>					
Expenditure	Note 6	13,034,581	13,158,534	13,061,235	13,144,092
Income					
Non EU Income	8	(1,184,192)	(1,261,853)	(1,050,743)	(1,136,572)
EU Income	8	(465,940)	(469,592)	(500,641)	(500,641)
		(1,650,132)	(1,731,445)	(1,551,384)	(1,637,213)
<b>Net Programme Costs</b>		<b>11,384,449</b>	<b>11,427,089</b>	11,509,851	11,506,879
<b>ADMINISTRATION COSTS</b>					
Staff Costs	Note 4	234,189	239,972	224,023	229,297
Other Administration Costs	5	104,762	107,457	112,966	115,367
<b>Gross Administration Costs</b>		<b>338,951</b>	<b>347,429</b>	336,989	344,664
Administration Income	8	(4,451)	(3,680)	(5,161)	(4,726)
<b>Net Administration Cost</b>		<b>334,500</b>	<b>343,749</b>	331,828	339,938
<b>NET OPERATING COST – CONTINUING OPERATIONS</b>		<b>11,718,949</b>	<b>11,770,838</b>	11,841,679	11,846,817
<b>DISCONTINUED OPERATIONS</b>					
Assembly Parliamentary Services (APS) Staff Costs		-	-	4,354	4,354
APS Other Administration Costs		-	-	19,411	19,411
<b>APS Administration Costs</b>		-	-	23,765	23,765
APS Income		-	-	(177)	(177)
<b>Net Operating Cost Discontinued Operations</b>		-	-	23,588	23,588
<b>NET OPERATING COST</b>		<b>11,718,949</b>	<b>11,770,838</b>	11,865,267	11,870,405

All activities are continuing with the exception of the Assembly Parliamentary Service, which became the National Assembly for Wales Commission during the year, due to the legal separation of functions under the Government of Wales Act 2006.

The Notes on pages 43 to 93 form part of these accounts.

**Statement of Recognised Gains and Losses**  
**For the year ended 31 March 2008**

	Note	Year ended 31 March 2008		Year ended 31 March 2007	
		WAG £000	Consolidated £000	WAG £000	Consolidated £000
Net gain on revaluation of tangible assets	22	<b>488,589</b>	<b>507,199</b>	476,080	480,223
Donated Assets		-	(536)	-	226
EU deferred grant	20	<b>2,154</b>	<b>2,154</b>	2,198	2,198
Bad debt provision adjustment	19	<b>1,304</b>	<b>1,304</b>	-	-
Assets transferred to NHS Bodies		-	(31)	-	(5,516)
Actuarial (loss)/gain on other pension schemes	42b	<b>23,330</b>	<b>24,250</b>	(26,240)	(25,164)
Actuarial (loss)/gain on Assembly Members' Pension Scheme		-	-	(2,055)	(2,055)
		<b>515,377</b>	<b>534,340</b>	449,983	449,912
<b>Prior Year Adjustments</b>					
Merger previous year		-	-	763,609	762,902
Roads prior year adjustment	39	<b>218,500</b>	<b>218,500</b>	-	-
<b>Gains and losses recognised since the last annual report</b>		<b>733,877</b>	<b>752,840</b>	1,213,592	1,212,814

The Notes on pages 43 to 93 form part of these accounts.

## Balance Sheet as at 31 March 2008

	Note	As at 31 March 2008		RESTATED As at 31 March 2007	
		WAG	Consolidated	WAG	Consolidated
		£000	£000	£000	£000
<b>Fixed Assets</b>					
Intangible Assets	9	2,391	2,410	2,621	2,656
Tangible Assets	10	11,556,043	11,740,885	11,006,365	11,180,023
Investments	11	2,872,404	2,843,064	2,509,530	2,484,032
		<b>14,430,838</b>	<b>14,586,359</b>	13,518,516	13,666,711
<b>Current Assets</b>					
Development Assets	13	355,009	355,009	354,763	354,763
Stocks	14	13,789	13,992	13,996	14,702
Debtors due within one year	15	284,119	336,978	193,735	254,416
Short term assets & loans	11	-	7,357	-	27,908
Cash at bank and in hand	16	151,819	209,364	20,772	70,414
		<b>804,736</b>	<b>922,700</b>	583,266	722,203
Debtors due after more than one year	15	-	33,004	-	43,846
		<b>804,736</b>	<b>955,704</b>	583,266	766,049
<b>Creditors: amounts falling due within 1 year</b>	17	<b>(542,666)</b>	<b>(848,458)</b>	(360,885)	(644,391)
<b>Net Current Assets</b>		<b>262,070</b>	<b>107,246</b>	222,381	121,658
<b>Total Assets less Current Liabilities</b>		<b>14,692,908</b>	<b>14,693,605</b>	13,740,897	13,788,369
<b>Creditors: amounts falling due after more than one year</b>	17	<b>(11,404)</b>	<b>(49,288)</b>	(9,794)	(50,400)
<b>Provisions for Liabilities and Charges</b>	18	<b>(478,348)</b>	<b>(543,929)</b>	(454,084)	(533,741)
Pension fund deficits	42b	(42,460)	(42,741)	(65,906)	(67,012)
National Loans Fund Loans	29	(11,812)	(11,812)	(11,843)	(11,843)
		<b>14,148,884</b>	<b>14,045,835</b>	13,199,270	13,125,373
<b>Taxpayers' Equity</b>					
General Fund	19	9,446,588	9,204,056	9,010,733	8,816,659
EU Deferred Grant Reserve	20	12,322	12,322	10,588	10,588
Pension Fund Reserve	42b	(42,460)	(42,741)	(65,906)	(67,012)
Donated Assets	21	-	4,806	10	4,945
Revaluation Reserve	22	4,732,434	4,867,392	4,243,845	4,360,193
		<b>14,148,884</b>	<b>14,045,835</b>	13,199,270	13,125,373

**Dame Gillian Morgan**  
**Permanent Secretary and Principal Accounting Officer**  
**Date: 11 September 2008**

The Notes on pages 43 to 93 form part of these accounts.



**Cash Flow Statement**  
**For the year ended 31 March 2008**

	Note	Year ended 31 March 2008		Year ended 31 March 2007	
		WAG £000	Consolidated £000	WAG £000	Consolidated £000
Net cash outflow from operating activities	23	(11,255,701)	(11,272,030)	(11,365,049)	(11,369,279)
Capital expenditure and financial investment and associated receipts	23	(435,741)	(433,679)	(307,082)	(296,840)
Non operating receipts surrendered to Welsh Consolidated Fund		6,024	6,024	787,868	787,868
Payments of amounts due to the Welsh Consolidated Fund		(5,770)	(5,770)	(832,772)	(832,772)
EU Grant Deferral	20	2,154	2,154	2,198	2,198
Donations	21	-	29	-	226
Financing from Welsh Consolidated Fund	23	11,820,081	11,820,081	11,676,000	11,676,000
Financing movements with subsidiaries		-	22,141	-	14,219
<b>Increase/(Decrease) in cash in the year</b>		<b>131,047</b>	<b>138,950</b>	<b>(38,837)</b>	<b>(18,380)</b>

Notes to the Cash Flow Statement are at Note 23.

The Notes on pages 43 to 93 form part of these accounts.

**Consolidated Statement of Operating Costs by Welsh Assembly Government Aims and Objectives**  
**For the year ended 31 March 2008**

**Aim:** The 'One Wales' document outlines the aims and objectives as:

	Year ended 31 March 2008			RECLASSIFIED Year ended 31 March 2007		
	Gross	Income	Net	Gross	Income	Net
	£000	£000	£000	£000	£000	£000
Objectives:						
▪ Learning for Life	1,713,721	(14,714)	1,699,007	1,534,980	(11,348)	1,523,632
▪ A Healthy Future	5,627,597	(1,072,503)	4,555,094	5,401,555	(1,089,485)	4,312,070
▪ A Prosperous Society	1,473,675	(288,818)	1,184,857	1,487,485	(291,703)	1,195,782
▪ A Fair and Just Society	3,394,556	(2,410)	3,392,146	4,012,631	(1,532)	4,011,099
▪ Living Communities	574,821	(104,227)	470,594	498,396	(96,559)	401,837
▪ A Sustainable Environment	564,286	(246,657)	317,629	455,058	(147,306)	307,752
▪ A Rich and Diverse Culture	157,307	(5,796)	151,511	122,416	(4,183)	118,233
	<b>13,505,963</b>	<b>(1,735,125)</b>	<b>11,770,838</b>	13,512,521	(1,642,116)	11,870,405

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 43 to 93 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 2007–08 *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 an additional primary statement. 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.

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.

#### 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, Ryder Cup Wales 2010 Ltd and 5 Tec companies (Welsh Assembly Government owned companies limited by guarantee which have ceased trading). These consolidated companies produce and publish their own annual reports and accounts, with the exception of the Tec's which are being wound up. 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 2007-08 were taken from the Investment Property Databank (IPD) UK Annual Index (2008).

### Roads and Infrastructure

The Welsh Assembly Government has developed a computer 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.

### 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 41 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.

## **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 by the Welsh Assembly Government are shown at historical cost less any necessary impairment.

Investments previously managed by the former Welsh Development Agency are shown at cost, less provisions for diminution in value. Interests in unincorporated joint ventures are shown at the lower of cost and recoverable amounts, any shortfall being charged to the Operating Cost Statement. Subsequent rises in anticipated future receipts are brought to account only when realised.

Short term investments previously managed by the former Welsh Development Agency 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 current replacement cost and net realisable value, any carrying value being written off to the Operating Cost Statement. For 2006-07 movements arising on the revaluation of development assets in excess of historical cost were reflected in the general fund as they arose from a change in accounting policy.

### 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 this period.

### 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.

### 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 2007-08 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;
- and amounts owing to the Welsh Consolidated Fund included in creditors;
- donated assets and heritage assets;
- 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 42a. 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 42b.

Former Wales Tourist Board staff contribute 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. Further information is provided in Note 42c.

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 CAFCASS 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 2007-08 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 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 2008, 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 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 The 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 the Programme.

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 PCS/PS 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.

#### **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.

From 2006-07 the liability for the Welsh Risk Pool within the Department for Health and Social Services is treated as a provision instead of a contingent liability.

#### **Transferred Liabilities**

The responsibility for former Training and Enterprise Council company liabilities has been transferred to the Welsh Assembly Government from the National Council for Education and Training for Wales. The main liability is for the resolution of employment tribunal cases referred to as the 'Astley' case. Some of the cases have been resolved in April 2008, transferring most of the provision to creditors. The remaining unresolved cases are included on the basis of the best estimate of expenditure required to settle the obligations.

#### **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.

### **Consolidated Subsidiaries**

For 2007-08, Finance Wales plc fully provides for the assets of the Wales Innovation Fund within its own consolidated account, releasing this provision.

#### **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 Financial instruments**

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 , and is therefore not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency rate risk other than the risks arising from receipt of funds from the European Commission in Euros.

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.

#### **1.28 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.

## 2. Reconciliation of outturn to net operating cost 2007-08

	Budget	Outturn	Outturn compared with Budget: saving/(excess)
	£000	£000	£000
Net resource outturn	12,674,089	12,266,194	407,895
Less Capital, Loans & adjustments	(551,059)	(547,245)	(3,814)
<b>Net operating cost</b>	<b>12,123,030</b>	<b>11,718,949</b>	<b>404,081</b>

## 3. Reconciliation of resources to cash requirement 2007-08

	Budget	Outturn	Outturn compared with Budget
	£'000	£'000	£'000
<b>Net resource outturn</b>	<b>12,674,089</b>	<b>12,266,194</b>	407,895
Capital charges	(721,361)	(524,387)	(196,974)
Impairments	(36,059)	(19,912)	(16,147)
Movements in Provisions	(40,313)	(24,264)	(16,049)
Opening debtor/creditors adjustments	-	(2,390)	2,390
Movements in Working Capital	-	(44,418)	44,418
Removal of amounts not part of resource outturn	10,685	66,451	(55,766)
Other	10,000	(26,055)	36,055
<b>Net cash requirement</b>	<b>11,897,041</b>	<b>11,691,219</b>	205,822

#### 4. Staff Numbers and Costs

The average number of whole-time equivalent persons employed (including senior management and special advisers) during the period was 9,522 (2006-07:9,571). Assembly Members transferring to the National Assembly for Wales Commission on 1 April 2007 totalled 60.

The breakdown of this figure is as follows:

	<b>*Special Advisers</b>	<b>Officials</b>	<b>Temporary Staff</b>	<b>Total</b>
<b>Total</b>	6	9,052	464	<b>9,522</b>
<b>Of which:</b>				
<b>WAG</b>	6	5,575	403	<b>5,984</b>
<b>LHBs</b>	-	3,347	55	<b>3,402</b>
<b>HCW</b>	-	38	6	<b>44</b>
<b>Subsidiaries</b>	-	92	-	<b>92</b>
 Objectives		<b>Total</b>	<b>Officials</b>	<b>Agency Staff</b>
▪ Learning for Life		<b>1,023</b>	917	106
▪ A Healthy Future		<b>4,377</b>	4,247	130
▪ A Prosperous Society		<b>1,948</b>	1,846	102
▪ A Fair and Just Society		<b>446</b>	423	23
▪ Living Communities		<b>102</b>	94	8
▪ A Sustainable Environment		<b>1,066</b>	1,002	64
▪ A Rich and Diverse Culture		<b>554</b>	523	31
<b>Subtotal</b>		<b>9,516</b>	<b>9,052</b>	<b>464</b>
▪ Special Advisors		<b>6</b>		
<b>Total</b>		<b>9,522</b>		

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

	<b>Officials</b>	<b>Special</b>	<b>Other</b>	<b>Year ended</b>	RESTATED
	<b>£000</b>	<b>Advisers</b>	<b>Staff</b>	<b>31 March</b>	Year ended
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>2008</b>	31 March
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>Total</b>	Total
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	£000
Salaries	183,731	418	10,073	<b>194,222</b>	186,345
Social Security Costs	15,404	29	766	<b>16,199</b>	14,928
Other Pension Costs	40,698	66	1,485	<b>42,249</b>	33,666
<b>Sub Total</b>	<b>239,833</b>	<b>513</b>	<b>12,324</b>	<b>252,670</b>	234,939
Less:					
Recoveries in Respect of Outward Secondments	(3,884)	-	-	<b>(3,884)</b>	(2,175)
Recharged to programme costs	(8,814)	-	-	<b>(8,814)</b>	(3,467)
<b>Total net costs</b>	<b>227,135</b>	<b>513</b>	<b>12,324</b>	<b>239,972</b>	229,297

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 42.

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

## 5. Other Administration Costs

	Year ended 31 March 2008		Year ended 31 March 2007	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
Accommodation	16,140	16,191	12,954	13,003
Central administration	23,756	24,611	26,826	27,237
Rentals under operating leases				
- accommodation	7,385	7,186	7,369	7,369
- hire of vehicles and office equipment	957	957	926	926
Travel, subsistence and hospitality	9,855	10,112	10,921	11,153
IT & Telecommunications	22,535	22,547	26,439	26,442
Audit Fees	440	574	430	549
Relocation costs*	434	434	1,002	1,002
Other Expenses	8,661	11,582	7,473	9,697
Gain on exchange rate	(71)	(71)	-	-
Election expenses	-	-	75	75
	<b>90,092</b>	<b>94,123</b>	94,415	97,453
Non Cash Items:				
Depreciation	7,500	7,553	7,742	7,825
Cost of capital charge	3,008	2,444	5,109	4,484
Impairment of tangible fixed assets	-	-	2,862	2,862
Loss on disposal of fixed assets	5	5	50	52
Merger and other provisions	(8)	(8)	2,713	2,713
Provision for early retirement and pension costs	1,695	1,695	135	135
Pension finance*	2,470	1,645	(60)	(157)
	<b>14,670</b>	<b>13,334</b>	18,551	17,914
<b>Total Other Administration Costs</b>	<b>104,762</b>	<b>107,457</b>	112,966	115,367

\* these costs are subject to UK taxation

## 6. Programme Costs

	Year ended 31 March 2008		RECLASSIFIED Year ended 31 March 2007	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
<u>Programme expenditure:</u>				
Health and Social Services (d)	5,248,793	5,342,687	5,044,233	5,120,662
Social Justice and Local Government (c)	3,307,502	3,307,502	3,961,758	3,961,758
Environment, Sustainability & Housing	744,546	744,244	439,722	439,756
Economy and Transport (b)	1,030,646	1,029,148	1,042,013	1,034,173
Children, Education, Lifelong Learning and Skills	1,567,624	1,567,624	1,437,122	1,437,122
Rural Affairs	363,786	363,786	418,823	418,823
Heritage	156,557	156,557	118,094	118,094
Other Ministerial Services	2,014	2,014	1,451	1,451
Public Services & Performance	37,226	37,226	30,223	30,223
Welsh Administration Ombudsman (a)	-	-	4,106	4,106
Auditor General for Wales Funding (a)	-	-	3,962	3,962
Audit Fee	-	1,956	-	1,616
	<b>12,458,694</b>	<b>12,552,744</b>	12,501,507	12,571,746
<u>Non-Cash Costs:</u>				
Cost of Capital	461,559	458,404	427,019	424,444
Depreciation	(58,288)	(52,025)	(7,658)	(1,904)
Released from Donated Asset Reserve	-	(565)	-	(249)
Impairment and write-off of tangible fixed assets	19,226	20,130	356	356
Impairment of loans	687	687	-	-
Profit on disposal of development assets	(10,121)	(10,121)	(19,549)	(19,549)
Profit on disposal of fixed assets	(118)	(1,316)	(893)	(3,464)
Deficit on revaluation of joint ventures	-	(9)	84	78
Deficit on revaluation of development assets	43,714	43,714	42,660	42,660
Investment diminution Finance Wales	-	4,819	-	7,475
(Gain)/Loss on Wales Innovation Fund	-	-	-	(550)
Student loans non cash	21,502	21,502	(5,107)	(5,107)
Increase/ (Decrease) in Provisions	98,145	120,989	123,234	128,574
Release of EU Grant	(419)	(419)	(418)	(418)
	<b>575,887</b>	<b>605,790</b>	559,728	572,346
	<b>13,034,581</b>	<b>13,158,534</b>	13,061,235	13,144,092

a. See Note 40

b. Includes £87,373,000 (2006-07: £111,374,000) classed as depreciation

c. Non Domestic Rating funding now via Welsh Consolidated Fund

d. 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.

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

For 2006-07 the funding to the Auditor General for Wales (the Auditor General) as disclosed at Note 6, comprises the net cost of his office and the Auditor General's gross salary. For 2007-08 the Auditor General for Wales (and the Welsh Administration Ombudsman) is funded directly from the Welsh Consolidated Fund.

The amount payable to the Auditor General for placing an opinion on the consolidated financial statements of the Welsh Assembly Government for 2007-08 is £440,000 (2006-07: £430,000) and has been included in the audit fees disclosed at Note 5.

## 8. Operating Income

	Year ended		RESTATED	
	31 March 2008		Year ended	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
<b>Programme Income</b>				
Non-EU Income:				
Health and Social Services	101,513	101,513	117,123	117,123
Economy and Transport	50,002	57,566	24,125	24,125
Housing Revenue Account*	103,836	103,836	-	-
External rents	816	816	529	529
Income from Monument Activities	4,240	4,240	3,800	3,800
Science Research Investment Fund	12,482	12,482	12,482	12,482
Other programme income	8,831	8,831	2,981	8,590
Other Health income	-	70,097	-	80,220
HM Revenue & Customs health funding contributions	897,434	897,434	889,703	889,703
	<b>1,179,154</b>	<b>1,256,815</b>	1,050,743	1,136,572
<b>Income outside the supply process</b>				
Consolidated Fund Extra Receipts	5,038	5,038	-	-
	<b>1,184,192</b>	<b>1,261,853</b>	1,050,743	1,136,572
EU Income:				
Common Agricultural Policy	240,836	240,836	242,670	242,670
European Structural Funds Programmes	225,104	228,756	257,971	257,971
	<b>465,940</b>	<b>469,592</b>	500,641	500,641
	<b>1,650,132</b>	<b>1,731,445</b>	1,551,384	1,637,213
<b>Administration Income</b>				
ICT charge to Assembly Commission	1,917	1,917	-	-
Fees & charges	1,682	1,457	4,407	4,407
Care Standards Inspectorate for Wales Income	-	-	33	33
Notional charge to HCW	446	-	435	-
Other income	406	306	286	286
	<b>4,451</b>	<b>3,680</b>	5,161	4,726
	<b>1,654,583</b>	<b>1,735,125</b>	1,556,545	1,641,939

\* included in expenditure in 2006-07, but separated for ambit purposes in 2007-08



## 9. Intangible fixed assets

	Year ended 31 March 2008		Year ended 31 March 2007	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
<b>Gross replacement cost</b>				
At 1 April	4,107	4,223	725	1,066
Accounting policy write-off	-	-	(126)	(362)
Accounting policy amortised	-	-	117	117
Additions	958	958	84	95
Reclassifications	-	-	3,307	3,307
<b>At 31 March</b>	<b>5,065</b>	<b>5,181</b>	4,107	4,223
<b>Amortisation</b>				
At 1 April	1,486	1,567	571	873
Charged in year	1,188	1,204	915	930
Disposals	-	-	-	(236)
<b>At 31 March</b>	<b>2,674</b>	<b>2,771</b>	1,486	1,567
<b>Net Book Value at 31 March</b>	<b>2,391</b>	<b>2,410</b>	2,621	2,656
Net Book Value at 1 April	2,621	2,656	154	193

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 2007 Restated	12,112,050	347,594	2,323	539	31,280	18,989	8,691	265,968	12,787,434
Additions	-	998	-	206	415	1,322	3,020	94,819	100,780
Disposals	-	(11,784)	-	(16)	(62)	(468)	(77)	-	(12,407)
APS transfer* & LHB transfer	-	(66,769)	-	(41)	(3,623)	(103)	(1,749)	(4,298)	(76,583)
Impairments	(26)	(907)	-	-	-	-	(47)	(19,883)	(20,863)
Revaluations	578,776	(5,296)	246	-	-	(214)	205	16,114	589,831
Reclassification	-	681	-	-	-	-	-	(681)	-
<b>At 31 March 2008</b>	<b>12,690,800</b>	<b>264,517</b>	<b>2,569</b>	<b>688</b>	<b>28,010</b>	<b>19,526</b>	<b>10,043</b>	<b>352,039</b>	<b>13,368,192</b>
<b>Depreciation</b>									
At 1 April 2007	1,527,128	27,158	76	293	17,084	8,429	2,567	24,677	1,607,412
Charged in year	27,492	6,158	40	75	5,042	2,073	817	-	41,697
Disposals	-	(530)	-	(5)	(59)	(366)	(55)	-	(1,015)
APS transfer*	-	(718)	-	(21)	(400)	(31)	(360)	-	(1,530)
Impairments	(21)	(27)	-	-	-	-	-	-	(48)
Revaluations	6,911	(23,884)	(83)	-	-	(147)	40	(2,046)	(19,209)
<b>At 31 March 2008</b>	<b>1,561,510</b>	<b>8,157</b>	<b>33</b>	<b>342</b>	<b>21,667</b>	<b>9,958</b>	<b>3,009</b>	<b>22,631</b>	<b>1,627,307</b>
<b>Net Book Value</b>									
<b>At 31 March 2008</b>	<b>11,129,290</b>	<b>256,360</b>	<b>2,536</b>	<b>346</b>	<b>6,343</b>	<b>9,568</b>	<b>7,034</b>	<b>329,408</b>	<b>11,740,885</b>
Net Book Value At 31 March 2007 Restated	10,584,922	320,436	2,247	246	14,196	10,560	6,124	241,291	11,180,022

\* see Note 40

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 The Economy and Transport and CADW were valued on an annual basis by King Sturge, Chartered Surveyors during 2007-08.

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 cost of maintaining the roads network of £27,492,000 (2006-07: £102,847,000) is included as depreciation charged in year. The net value of detrunked roads transferred under 'disposals/write-offs' was £nil (2006-07: £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>154,705</b>	<b>22,631</b>	<b>2,046</b>
Buildings – Merthyr office	<b>11,368</b>	<b>253</b>	<b>16</b>

Of the land & buildings figure, £110 million (£51 million land and £49m 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 the 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. Proposals are being considered to transfer the properties to those organisations in 2008-09.

## 11. Loans and Investments

	<b>Restated Balance at 1 April 2007</b>	<b>Capitalised interest/ Additions/ Issues</b>	<b>Disposals/ Repayments</b>	<b>Transfer to debtors</b>	<b>Balance at 31 March 2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Public Dividend Capital	1,382,436	195,143	(24,969)	-	<b>1,552,610</b>
Investments*	33,763	2,542	(421)	(1,922)	<b>33,962</b>
Interests in Joint Ventures*	11,082	795	(972)	-	<b>10,905</b>
Mortgages & other loans	4,434	625	(1,818)	-	<b>3,241</b>
Student Loans	1,052,317	232,752	(42,723)	-	<b>1,242,346</b>
<b>Total</b>	<b>2,484,032</b>	<b>431,857</b>	<b>(70,903)</b>	<b>(1,922)</b>	<b>2,843,064</b>

**Book Values  
£000**

Public Dividend Capital:	
Health and Social Services	1,552,610
Investments	33,962
Interests in Joint Ventures	10,905
Student Loans	1,242,346
Other Loans:	
LHB	-
Education & Local Government	1,220
Staff Loans	838
Housing Loans & Mortgages	105
Other	1078
	<u>3,241</u>

\*the closing balances as stated in the 2006-07 accounts have been reclassified.

The fair value of the above loans and investments was £2,842,033 (2006-07: £2,482,367) as at 31 March 2008 (Note 34).

The above interest in joint venture projects have been independently assessed by King Sturge Chartered Surveyors. The value represents the lower of cost or recoverable amounts, any shortfall being charged to the income and expenditure account. The joint venture projects included in the above valuation have been undertaken in the following locations:

Llanelli Gate, Dafen  
Hawtin Park, Blackwood  
Land at Duffryn, Newport  
Land at Cleppa Park, Newport  
Heath Hospital, Cardiff  
Science Park, Bridgend  
Oakdale, Blackwood  
Botanic Garden of Wales  
Parc Amanwy, Ammanford  
Swansea Vale  
River Usk Riverfront, Newport  
Land south of George St, Newport  
Land at Rhyd-y-Car, Merthyr

Penrhyndeudraeth, Gwynedd  
 Cross Hands, Carmarthenshire  
 Junction 33 M4

**Short term investments held as current assets**

Investment funds held in Finance Wales PLC

Consolidated only

	As at 31 March 2008		As at 31 March 2007	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
Investment funds held in Finance Wales PLC	-	59	-	22,200
Loans Finance Wales PLC	-	7,298	-	5,708
	-	7,357	-	27,908

**12. Movements in working capital other than cash**

	Year ended		Reclassified	
	31 March 2008		Year ended	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Increase in stock and development assets	39	(464)	89,135	89,130
Increase/(Decrease) in debtors	90,384	71,720	(73,112)	(69,191)
Less increase in Finance Wales loans in non-cash	-	(2,464)	-	(6,218)
(Increase)/Decrease in creditors	(183,391)	(202,957)	101,199	100,562
National Loans Fund	31	31	32	32
	<b>(92,937)</b>	<b>(134,134)</b>	117,254	114,315
Development assets revaluation	43,029	43,029	(26,663)	(26,663)
Development assets loss/(profit)	17,293	17,293	(19,549)	(19,549)
LHB property revaluation	-	(117)	-	-
Transfer to National Assembly for Wales Commission	659	659	-	-
Adjustment for accrual movement in loans	(3,536)	(3,536)	5,151	5,151
Adjustments for accrual movement fixed assets	(4,494)	(4,494)	18,647	19,616
Adjustment Fixed Assets to Development Assets	-	-	(27,400)	(27,400)
Less movement in amounts payable to the Welsh Consolidated Fund and other non-operating cost balances	254	254	(44,904)	(44,904)
	<b>(39,732)</b>	<b>(81,046)</b>	22,536	20,566

### 13. Stock of Development Assets

	As at		As at	
	31 March 2008		31 March 2007	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
As at 1 April	354,763	354,763	271,020	271,020
Transfers	-	-	27,400	27,400
Additions	60,568	60,568	57,416	57,416
Disposals	(17,293)	(17,293)	(27,736)	(27,736)
Deficit on revaluation	(43,029)	(43,029)	(42,660)	(42,660)
Revaluations	-	-	69,323	69,323
<b>As at 31 March</b>	<b>355,009</b>	<b>355,009</b>	354,763	354,763

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

## 14. Stocks

	As at 31 March 2008		As at 31 March 2007	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Road salt	217	217	213	213
Cadw/LHB Raw materials and consumables	118	321	123	829
Cadw Goods for Resale	610	610	585	585
Telecommunication spares	3,093	3,093	3,129	3,129
Assembly (APS) shop	-	-	29	29
Anti-viral drugs	8,799	8,799	8,958	8,958
Fire Service Devolution	952	952	959	959
	<b>13,789</b>	<b>13,992</b>	13,996	14,702

## 15. Debtors

	As at 31 March 2008		RESTATED As at 31 March 2007	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
<b>Amounts falling due within one year:</b>				
Trade debtors	119,112	114,892	77,421	68,866
Deposits & advances	280	280	294	294
European Union	68,021	68,021	76,207	76,207
Other debtors	79,298	88,362	25,051	35,576
Primary Care Trusts	-	254	-	456
NHS Trusts	-	10,738	-	11,341
Welsh Risk Pool	-	28,804	-	37,223
Other tax	8,316	8,317	7,328	7,329
Provisions for irrecoverable debt	-	-	-	-
Prepayments and accrued income	9,092	17,310	7,434	17,124
	<b>284,119</b>	<b>336,978</b>	193,735	254,416
<b>Amounts falling due after more than one year:</b>				
Welsh Risk Pool	-	8,320	-	20,248
Finance Wales loans	-	24,519	-	22,055
Other debtors	-	165	-	1,543
	-	<b>33,004</b>	-	43,846
<b>Total Debtors</b>	<b>284,119</b>	<b>369,982</b>	193,735	298,262

The increase in the total value of debtors at 31 March 2008 when compared with prior year is due in the main to the inclusion of a balance of £74,000,000 at 31 March 2008. This is the sum owed to the Assembly Government by the Welsh Consolidated Fund for reimbursement of payments made in respect of National Non Domestic Rating.

### Debtors contd

## Intra-Government Balances

	As at 31 March 2008		As at 31 March 2007	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
<b>Amounts falling due within one year:</b>				
Balances with other central government bodies	24,667	48,885	22,813	51,564
Balances with local authorities	15,230	15,230	19,410	19,410
Balances with NHS Trusts	467	11,459	256	12,053
Balances with public corporations and trading funds	-	-	-	-
<b>Subtotal: intra-government balances</b>	<b>40,364</b>	<b>75,574</b>	42,479	83,027
Balances with bodies external to government	243,755	261,404	151,256	171,389
	<b>284,119</b>	<b>336,978</b>	193,735	254,416
<b>Amounts falling due after more than one year:</b>				
Balances with other central government bodies	-	8,320	-	20,248
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
<b>Subtotal: intra-government balances</b>	-	<b>8,320</b>	-	20,248
Balances with bodies external to government	-	24,684	-	23,598
	-	<b>33,004</b>	-	43,846
<b>Total debtors</b>	<b>284,119</b>	<b>369,982</b>	193,735	298,262

## 16. Cash at bank and in hand

	Year ended 31 March 2008		Year ended 31 March 2007	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Balance at 1 April	20,772	70,414	59,609	88,794
Net cash inflow/(outflow)	131,047	138,950	(38,837)	(18,380)
<b>Balance at 31 March</b>	<b>151,819</b>	<b>209,364</b>	20,772	70,414

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

Balance at OPG	145,000	158,347	16,231	34,740
Commercial banks & cash in hand	6,819	51,017	4,541	35,674
	<b>151,819</b>	<b>209,364</b>	20,772	70,414

The Government of Wales Act 2006 established the Welsh Consolidated Fund from 1 April 2007. Cash drawn down but unused from the Exchequer during 2007-08 is repayable to the Welsh Consolidated Fund in 2008-09. £55,439,463 of the balance as at 31 March 2008 is repayable.

## 17. Creditors

**Creditors: Amounts falling due within one year**



	As at		RECLASSIFIED*	
	31 March 2008		31 March 2007	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Trade creditors	214,725	355,302	171,380	294,827
Other creditors	16,097	17,639	15,695	18,254
Tax and social security	441	2,214	2,468	4,042
Accruals & deferred income:				
European Union	69,444	78,489	13,635	27,183
Other	153,116	247,303	157,496	247,550
Amounts payable to the Welsh/ Consolidated Fund	88,843	88,843	211	211
NHS Trusts	-	55,696	-	49,852
Primary Care Trusts	-	1,566	-	931
Capital Creditors	-	299	-	416
General Practice Fund Holders (GPFH)	-	-	-	6
Staff Pensions	-	1,107	-	1,119
	<b>542,666</b>	<b>848,458</b>	360,885	644,391
<b>Creditors: Amounts falling due after more than one year</b>				
Finance lease on Merthyr building and retentions on Highways contracts	11,404	11,404	9,794	9,794
Trade creditors	-	166	-	166
NHS Trusts	-	-	-	186
Finance Wales PLC	-	37,349	-	39,972
Staff Pensions	-	369	-	282
	<b>11,404</b>	<b>49,288</b>	9,794	50,400
<b>Total creditors</b>	<b>554,070</b>	<b>897,746</b>	370,679	694,791

\* the prior year has been reclassified to identify accruals and trade creditors consistently with the current year

The increase in the total value of creditors at 31 March 2008 when compared to the prior year is due in the main to the inclusion of the balance owed at 31 March 2008 by the Assembly Government to the Welsh Consolidated Fund (£88,843,000).

#### Intra-Government Balances

As at

As at

	31 March 2008		31 March 2007	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
<b>Amounts falling due within one year:</b>				
Balances with other central government bodies	2,606	962	18,244	10,973
Balances with local authorities	27,609	27,609	42,736	42,736
Balances with NHS Trusts	-	57,262	-	50,783
Balances with public corporations and trading funds	-	-	-	-
<b>Subtotal: intra-government balances</b>	<b>30,215</b>	<b>85,833</b>	60,980	104,492
Balances with bodies external to government	512,451	762,625	299,905	539,899
	<b>542,666</b>	<b>848,458</b>	360,885	644,391
<b>Amounts falling due after more than one year:</b>				
Balances with other central government bodies	-	-	-	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	186
Balances with public corporations and trading funds	-	-	-	-
<b>Subtotal: intra-government balances</b>	-	-	-	186
Balances with bodies external to government	11,404	49,288	9,794	50,214
	<b>11,404</b>	<b>49,288</b>	9,794	50,400
<b>Total creditors</b>	<b>554,070</b>	<b>897,746</b>	370,679	694,791

## 18. Provisions for liabilities and charges

WAG

Year ended 31 March 2008

	<b>Staff Costs</b>	<b>NHS Provisions</b>	<b>Student Loans</b>	<b>Merger Costs</b>	<b>EU funds</b>	<b>Transferred liabilities</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>
Balance at 1 April 2007	747	280,709	160,833	456	7,599	3,740	<b>454,084</b>
Provided in the year	1,695	50,606	56,078	-	-	-	<b>108,379</b>
Provisions not required written back	-	-	-	(8)	(7,599)	(940)	<b>(8,547)</b>
Provisions utilised in year	(208)	(57,166)	(16,187)	(434)	-	(1,573)	<b>(75,568)</b>
<b>Balance at 31 March 2008</b>	<b>2,234</b>	<b>274,149</b>	<b>200,724</b>	<b>14</b>	<b>-</b>	<b>1,227</b>	<b>478,348</b>

### **Consolidated**

#### **Year ended 31 March 2008**

	<b>WAG</b>	<b>LHB Provisions</b>	<b>Subsidiaries</b>	<b>Total</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance at 1 April 2007	454,084	77,497	2,160	<b>533,741</b>
Provided in the year	108,379	22,844	-	<b>131,223</b>
Provisions not required written back	(8,547)	-	-	<b>(8,547)</b>
Provisions utilised in year	(75,568)	(34,760)	-	<b>(110,328)</b>
Transfer of provision Wales Innovation Fund	-	-	(2,160)	<b>(2,160)</b>
<b>Balance at 31 March 2008</b>	<b>478,348</b>	<b>65,581</b>	<b>-</b>	<b>543,929</b>

### Staff Costs

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.

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.

LHB additional pension liabilities arising from early retirements are not funded by the scheme, except where the retirement is due to ill-health. For early retirements not funded by the scheme, the

full amount of the liability for the additional costs is charged to the Operating Cost Statement at the time the LHB commits itself to the retirement, regardless of the method of payment.

### NHS Provisions

#### **Continuing Care**

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.

#### **Hepatitis C**

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. Jane Hutt AM made the announcement on 23 August 2003 and the fund was opened on 5 July 2004. Lump sums of £20k will be paid out in general cases and a figure of £25k is paid for those with an advanced illness.

#### **Incorrect methodology used to recover drugs prescription payments**

The methodology adopted by a former Health Authority during 1999-00 to recover advance payments for the prescription of certain drugs was incorrectly applied. The provision represents the potential over recovery of payments for relevant pharmacists affected by the incorrect methodology.

#### **Agenda for Change costs – Health care students**

The provision 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.

#### **Electronic Staff Records**

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.

#### **Welsh Risk Pool**

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

### Merger cost provisions

Merger related provisions for accommodation changes and legacy system costs resulting from the ASPB mergers between 2005-06 and 2007-08.

### Transferred liabilities

The National Council for Education and Training for Wales had subsidiary companies from a prior merger, which transferred to the Welsh Assembly Government. The subsidiary companies had outstanding liabilities for a legal case referred to as the Astley case, and for liquidation costs of the companies. The Welsh Assembly Government accepted these liabilities directly so that the companies could be wound up. Some claims arising from these cases have been settled, but there

remains uncertainty as to the amount of the remaining liability. The Council also had merger provisions for legacy systems, and a provision for repayment of European funds for the Knowledge Exploitation Fund which had transferred on merger to the Department for Children, Education, Lifelong Learning and Skills.

### Student Loans

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 (2007-08: 2.25%, 2006-07: 2.4%) to reflect the full extent of the subsidy, which is credited to the General Fund.

### EU funds provision

Provision is made where it is considered likely that income from the European Union in respect of the European programmes, funds and initiatives is repayable.

### LHB Provisions

See accounting policy note 1.25

### Subsidiaries

The Welsh Assembly Government's subsidiary Finance Wales plc has a joint venture with the Wales Innovation Fund Ltd. Finance Wales plc fully provides for the assets of the company.

## **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		RESTATED	
	31 March 2008		Year ended	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
<b>Net operating cost</b>	<b>(11,718,949)</b>	<b>(11,770,838)</b>	(11,865,267)	(11,870,405)
Funding received from Welsh Consolidated/Consolidated Fund	<b>11,820,081</b>	<b>11,820,081</b>	11,676,000	11,676,000
Owed to Welsh Consolidated fund	<b>(88,379)</b>	<b>(88,379)</b>	-	-
Loan repayments payable to the Welsh Consolidated Fund	<b>(113)</b>	<b>(113)</b>	(119)	(119)
Merger asset movement	-	-	(385)	(385)
Pension subsidiaries	-	<b>(1,000)</b>	-	-
Roads adjustment	-	-	(1,175)	(1,175)
Transfer to pension fund deficit	<b>2,470</b>	<b>2,470</b>	504	407
Creditor adjustment	<b>3,694</b>	<b>3,683</b>	(33)	(33)
Prior year restatement roads	-	-	218,500	218,500
Transferred from Revaluation Reserve	<b>52</b>	<b>7,587</b>	221	5,187
Development asset gain	-	-	69,323	69,323
Bad Debt provision adjustment	<b>(1,304)</b>	<b>(1,304)</b>	-	-
Increased share of JV	-	<b>180</b>	-	(543)
Tir Gofal net assets transfer	-	-	53	53
Fire and Rescue fixed asset transfers	<b>590</b>	<b>590</b>	-	-
APS transfer	<b>(69,229)</b>	<b>(69,229)</b>	-	-
Notional Student Loans issue	<b>6,357</b>	<b>6,357</b>	-	-
	<b>(44,730)</b>	<b>(89,915)</b>	97,622	96,810
Notional charges and income:				
Cost of Capital	<b>464,567</b>	<b>460,848</b>	432,201	429,001
CFER income	<b>(5,038)</b>	<b>(5,038)</b>	-	-
Services provided to HCW	<b>(446)</b>	-	(435)	-
Student loans inflation adjustment	<b>21,502</b>	<b>21,502</b>	17,740	17,740
<b>Net (decrease)/increase in the general fund</b>	<b>435,855</b>	<b>387,397</b>	547,128	543,551
Balance at 1 April	<b>9,010,733</b>	<b>8,816,659</b>	8,463,605	8,273,108
<b>Balance at 31 March</b>	<b>9,446,588</b>	<b>9,204,056</b>	9,010,733	8,816,659

## 20. European Deferred Grant Reserve

	Year ended		Year ended	
	31 March 2008		31 March 2007	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Balance at 1 April	<b>10,588</b>	<b>10,588</b>	8,808	8,808
In-year Addition	<b>2,154</b>	<b>2,154</b>	2,198	2,198
Released to Operating Cost Statement	<b>(420)</b>	<b>(420)</b>	(418)	(418)
<b>Balance at 31 March</b>	<b>12,322</b>	<b>12,322</b>	10,588	10,588

## 21. Donated Asset Reserve

	Year ended 31 March 2008		Year ended 31 March 2007	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Balance at 1 April	10	4,945	10	4,919
Transfer to APS	(10)	(10)	-	-
In year addition	-	29	-	226
Revaluation and Indexation	-	407	-	49
Write off	-	(29)	-	-
Depreciation	-	(536)	-	(249)
<b>Balance at 31 March</b>	-	<b>4,806</b>	10	4,945

## 22. Revaluation Reserve

	Year ended 31 March 2008		Year ended 31 March 2007	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Balance at 1 April	4,243,845	4,360,193	3,767,765	3,879,970
In year revaluation	582,490	608,635	587,673	596,782
Add back non-reserve movements:				
Cash backed depreciation	(87,373)	(87,373)	(111,374)	(111,374)
	<b>4,738,962</b>	<b>4,881,455</b>	4,244,064	4,365,378
Of which:				
Roads	484,492	484,492	451,207	451,207
Land & Buildings	(7,687)	18,513	16,033	25,265
IT, Plant & Equipment	152	97	386	212
Payments on Account & Assets under Construction	18,160	18,160	8,673	8,724
	<b>495,117</b>	<b>521,262</b>	476,299	485,408
Adjustment to WDA b/f figures	-	-	2	2
APS transfer	(6,476)	(6,476)	-	-
Transfer to the General Fund in respect of realised element of revaluation reserve	(52)	(7,587)	(221)	(5,187)
<b>Balance at 31 March</b>	<b>4,732,434</b>	<b>4,867,392</b>	4,243,845	4,360,193

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 2008		Year ended 31 March 2007	
		WAG	Consolidated	WAG	Consolidated
		£000	£000	£000	£000
<b>Reconciliation of operating cost to operating cash flows</b>					
<b>Net operating cost</b>		<b>11,718,949</b>	<b>11,770,838</b>	11,865,267	11,870,405
Provisions utilised	18	75,568	110,328	66,058	79,536
Asset write-out		-	-	(242)	(242)
Non-cash transactions: Administrative costs	5	(14,670)	(13,334)	*(19,563)	(18,926)
Programme costs	6	(575,887)	(605,790)	(559,728)	(572,346)
Notional recharges to HCW	8	446	-	435	-
Loans and investments non-cash adjustments		-	-	(9,714)	(9,714)
Opening cr/dr adjustments		(2,390)	(2,383)	-	-
Income payable to WCF		93,417	93,417	-	-
Movements in working capital other than cash	12	(39,732)	(81,046)	22,536	20,566
<b>Net cash outflow from operating activities</b>		<b>11,255,701</b>	<b>11,272,030</b>	11,365,049	11,369,279
<b>Analysis of capital expenditure and financial investment</b>					
Issue of loans		431,561	439,225	281,664	276,402
Repayment of loans		(70,707)	(72,459)	(31,769)	(28,676)
Payments to acquire intangible and fixed assets		103,512	105,756	59,810	61,670
Receipts from disposal of fixed assets		(1,212)	(11,430)	(2,623)	(12,556)
Receipts from disposal of development assets		(27,413)	(27,413)	-	-
<b>Net cash outflow from investing activities</b>		<b>435,741</b>	<b>433,679</b>	307,082	296,840
<b>Analysis of financing</b>					
From Welsh Consolidated Fund	19	11,820,081	11,820,081	11,676,000	11,676,000
EU Deferred Grant	20	2,154	2,154	2,198	2,198
Donation	21	-	29	-	226
Payments to National Loans Fund		31	31	-	-
(Increase)/Decrease in cash	16	(131,047)	(138,950)	38,837	18,380
<b>Net cash requirement</b>		<b>11,691,219</b>	<b>11,683,345</b>	11,717,035	11,696,804

\* included £1,012,000 in respect of APS

## 24. Capital Commitments

As at

As at



	31 March 2008		31 March 2007	
	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	137,239	137,239	189,274	189,274
Local Health Boards	-	1,332	-	128
DET contracted but not provided for	25,049	25,049	19,622	19,622
Management & Central Services	5,046	5,046	3,172	3,172
Fire Service Equipment*	-	-	998	998
Case management system	20	20	-	-
APS	-	-	152	152
Location Strategy	20,410	20,410	867	867
	<b>187,764</b>	<b>189,096</b>	214,085	214,213

## 25. Commitments under operating leases

At 31 March 2008 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 2008		As at 31 March 2007	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
<b>Land and Buildings:</b>				
Within one year	1,204	1,332	640	703
Between two and five years	1,389	2,310	1,775	2,583
After five years	7,087	8,770	10,016	11,516
	<b>9,680</b>	<b>12,412</b>	12,431	14,802
<b>Other:</b>				
Within one year	75	326	140	435
Between two and five years	636	952	627	922
After five years	5	52	33	33
	<b>716</b>	<b>1,330</b>	800	1,390
	<b>10,396</b>	<b>13,742</b>	13,231	16,192

## 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 2008		As at 31 March 2007	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Within one year	129	655	6,380	6,380
Between two and five years	5,331	5,331	118	118
After five years	14,369	14,369	14,694	14,694
	<b>19,829</b>	<b>20,355</b>	21,192	21,192

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 2008		As at 31 March 2007	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Within one year	-	-	-	-
Between two and five years	-	-	-	-
After five years	17,395	17,395	14,980	14,980
	<b>17,395</b>	<b>17,395</b>	14,980	14,980

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 2008 was £132,074,668 (2006-07: £113,914,000). 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 to be 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 2008		Year ended 31 March 2007	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000

Legal Claims – Alleged medical or employer negligence	-	<b>(79,906)</b>	-	(79,961)
Potential contractual obligations	<b>(12,043)</b>	<b>(12,043)</b>	(20,850)	(20,850)
Potential taxation liabilities	-	-	(58)	(58)
Compensation Claims	-	-	(251)	(251)
Other	-	<b>(17,012)</b>	(8,737)	(23,976)
	<b>(12,043)</b>	<b>(108,961)</b>	(29,896)	(125,096)

The Welsh Assembly Government has inherited a number of unquantifiable contingent liabilities resulting from the wind up of the former Cardiff Bay Development Corporation (CBDC). Obligation for the payment of such liabilities was passed to the (then) National Assembly for Wales by way of a local Statutory Instrument, The Cardiff Bay Development Corporation (Transfer of Property, Rights and Liabilities) Order 2000, made under S165 of the 1980 Local Government Planning and Land Act (as amended).

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 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.

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 2008 was £62.9 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 2007-08 accounts for these items.

## 28. Interest

	Year ended 31 March 2008		Year ended 31 March 2007	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
<b>Interest Payable:</b>				
National Loans Fund	1,725	1,725	1,724	1,724
Health Service	-	-	-	-

Other	-	2,567	-	2,162
	<u>1,725</u>	<u>4,292</u>	1,724	<u>3,886</u>
<b>Interest Receivable:</b>				
National Loans Fund Investments	(1,725)	(1,725)	(1,724)	(1,724)
Dividend received on PDC investments	(70,112)	(70,112)	(63,463)	(63,463)
Other loan interest (including Health and Student loans)	(6,923)	(9,736)	(23,110)	(25,283)
	<u>(78,760)</u>	<u>(81,573)</u>	(88,297)	<u>(90,470)</u>

## 29. National Loans Fund

	National Loans Fund £000
Balance at 1 April 2007	11,843
Repayments during year	(31)
<b>Balance at 31 March 2008</b>	<u><b>11,812</b></u>
Amounts falling due within 1 year	30
Amounts falling due between 1 and 5 years	170
Amounts falling due after 5 years	11,612
<b>Total</b>	<u><b>11,812</b></u>

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 2008	RECLASSIFIED* Year ended 31 March 2007
	£000	£000
Health & Social Services	5,388	5,388
Social Justice & Local Government	14,842	14,842
Environment, Sustainability & Housing	80,989	80,989
Economy & Transport	16,478	16,478
Children, Education, Lifelong Learning & Skills	45,699	45,699
<b>Total Unhypothecated Supported Borrowing</b>	<b>163,396</b>	<b>163,396</b>

\* see note 39

### 31. Losses and Special Payments

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

	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>

	Year ended 31 March 2007			
	WAG		Consolidated	
	No of Cases	£000	No of Cases	£000
Cash Losses	684	200	684	200
Claims Abandoned	150	7,895	150	7,895
Fruitless Payments	12	20	12	20
Store Losses	7	7	7	7
	<b>853</b>	<b>8,122</b>	<b>853</b>	<b>8,122</b>

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

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

	Year ended 31 March 2007			
	WAG		Consolidated	
	No of Cases	£000	No of Cases	£000
Special Payments	29	124	29	124
	29	124	29	124

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

Abandoned claims	£000
Opportunity Wales	313
Marix Drug Development	346
Cosgrove Packaging Ltd	390
Virtual Channels	600
Deudraeth Cyf	697
QPI Newport Waferfab*	2,460
Asat UK Ltd*	7,892

\* Regional Selective Assistance to companies now in liquidation

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

	Year ended 31 March 2008		Year ended 31 March 2007	
	No of Cases	£000	No of Cases	£000
Medical Negligence	21	31,119	25	4,497
Personal Injury	8	349	9	105
Fraud	-	-	-	-
Other	1,111	46	745	177
	<b>1,140</b>	<b>31,514</b>	<b>779</b>	<b>4,779</b>

**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  
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.
- Five former Training and Enterprise companies inherited from the National Council for Education and Training for Wales, all of which are limited by guarantee and have no share capital. All five companies are in liquidation. The company names are Elwa Trading Ltd, West Wales Training and Enterprise Council Ltd, North Wales Training and Enterprise Council Ltd, Mid Wales Training and Enterprise Council Ltd, and the Council of Welsh Tecs.
- 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 £850,000 from the Welsh Assembly Government during the year.

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:



RESTATED

	2007-08 £000	2006-07 £000
▪ Learning for Life	42,864	37,998
▪ A Healthy Future	139,391	133,157
▪ A Prosperous Society	44,162	42,838
▪ A Fair and Just Society*	84,905	99,211
▪ Living Communities	14,378	9,870
▪ A Sustainable Environment	14,114	13,846
▪ A Rich and Diverse Culture	3,935	3,018
<b>TOTAL</b>	<b>343,749</b>	339,938

\* large change due to NDR funding expenditure being accounted for via the Welsh Consolidated Fund for 2007-08.

### 34. Financial Instruments

In these accounts the Welsh Assembly Government has adopted Financial Reporting Standard (FRS) 13 – Derivatives and Other Financial Instruments: Disclosures. 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 4.15% and 4.67%).

	<b>Book Values</b>	<b>Fair Values</b>	<b>Basis of Fair</b>
	<b>£000</b>	<b>£000</b>	<b>Valuation</b>
<b>Financial Assets:</b>			
<b>Public Dividend Capital:</b>			
Health and Social Services	1,552,610	1,552,610	<i>Note 1</i>
<b>Student loans</b>	1,242,346	1,242,346	<i>Note 2</i>
<b>Investments</b>	33,962	33,962	
<b>Interests in Joint Ventures</b>	10,905	10,905	
<b>Other Loans:</b>			
LHB	-	-	
Education & Local Government	1,220	702	<i>Note 3</i>
Staff Loans & Advances of Salaries	838	699	<i>Note 3</i>
Housing Loans & Mortgages	105	81	<i>Note 3</i>
Other	1078	728	<i>Note 3</i>
	3,241	2,210	
<b>Notes:</b>	2,843,064	2,842,033	

- 1 *The net assets of the recipient bodies exceed the values of the investment loans and therefore the fair value of the loans is equal to the book value. The exceptions are Carmarthenshire NHS Trust and Pembrokeshire & Derwen NHS Trusts where the value are temporarily lower.*
- 2 *The student loans interest rate is revised annually, so the fair value is not significantly different from the book value.*
- 3 *The discount rates used are the National Loan Fund rate of between 4.15% and 4.67%.*

### 35. 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.

The prior year has been restated to account for exchange rate movements, and to present the account on an accruals basis.

### Income and Expenditure

		Year Ended 31 March 2008		RESTATED Year Ended 31 March 2007	
		€000	€000	€000	€000
Income	EU Funding		5,638		9,537
Grant Expenditure	Ireland	(1,593)		(3,603)	
	Wales	(4,045)		(5,934)	
		<u>(5,638)</u>		<u>(9,537)</u>	
Other Expenditure	Bank Charges	(1)		(1)	
	Exchange Gain	245		48	
Total Expenditure			<u>(5,394)</u>		<u>(9,490)</u>
Net Income			<u>244</u>		<u>47</u>

### Balance Sheet as at 31 March 2008

		Year Ended 31 March 2008		RESTATED Year Ended 31 March 2007	
		£000	€000	£000	€000
Debtors		3,012	3,750	1,361	2,006
Bank		242	302	176	259
Creditors		(3,123)	(3,889)	(1,592)	(2,346)
Net Assets/(Liabilities)		<u>131</u>	<u>163</u>	<u>(55)</u>	<u>(81)</u>
General Fund		<u>131</u>	<u>163</u>	<u>(55)</u>	<u>(81)</u>

### 36 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 2008

Name of company	Description	Proportion	Share capital	Profit/
-----------------	-------------	------------	---------------	---------

	<b>of investment</b>	<b>held</b>	<b>and reserves</b>	<b>(Loss) for the year</b>
		<b>%</b>	<b>£</b>	<b>£</b>
Welsh Development Management Ltd	1 ordinary £1 share	100	1	Nil
Finance Wales PLC	12,500 ordinary £1 shares	100	(465,408)	1,484,787

Finance Wales plc was a wholly owned subsidiary company of the Department for Economy and Transport. The profit for the year of £1,484,787 (2006-07 – restated loss of £403,737) and its share capital and reserves of -£465,408 (restated 2006-7-£1,950,195), 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 departments interest, shown at cost is £10,565,049 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.

### **37. Costs of Mergers**

From 2005-06 to 2007-08 the Welsh Assembly Government had an Investment Fund budget to support additional costs for mergers that could not be met from existing budgets. The table below sets out the costs supported from this budget, and from the merger provisions disclosed in Note 18.

	<b>2007-08</b>	<b>2006-07</b>
	<b>£000</b>	<b>£000</b>
Consultancy Fees	<b>611</b>	982

Additional Staff Costs	<b>450</b>	1,432
Information Technology	<b>171</b>	756
Human Resources	<b>384</b>	311
Accommodation	<b>417</b>	1,105
Training	<b>378</b>	115
Other	<b>19</b>	304
<b>TOTAL</b>	<b>2,430</b>	<b>5,005</b>

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### **38. 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

		Year Ended 31 March 2008	Year Ended 31 March 2007
		€000	€000
Income:	EU	-	-
Expenditure:	Grant Payments	-	106
(Surplus)/Deficit		<u>-</u>	<u>106</u>

Balance Sheet

	Year Ended 31 March 2008	Year Ended 31 March 2007
	€000	€000
Debtors		-
Bank	121	121
Creditors	(77)	(77)
Net Assets	<u>44</u>	<u>44</u>
General Fund	<u>44</u>	<u>44</u>

**39. Prior year adjustments**

Welsh Assembly Government departments were changed in May 2007 following the election change of Ministerial responsibilities. The programme costs note and the unhypothecated supported borrowing notes for the prior year have been restated accordingly.

A prior year adjustment of £218,500,000 has been made in respect of the roads revaluation due to an element of the M4 being incorrectly classified in previous years in the Valuation Model.

From 1 April 2007 the responsibility for paying Welsh Ministers' salaries transferred to the National Assembly for Wales Commission. The prior year salaries costs have been adjusted accordingly, and are disclosed separately on the Operating Cost Statement.

#### 40. Government of Wales Act 2006 adjustments

The Government of Wales Act 2006 replaced the previous National Assembly for Wales with a legally separate government body (the Welsh Assembly Government) and legislature (the National Assembly for Wales). No additional costs were incurred in implementing the separation in 2007-08 (2006-07: £1,794,487).

Assets and liabilities of £73,129,000 were transferred in year to the National Assembly for Wales Commission, and are accounted for in the financial period through the general fund and reserves as shown below. Subsequent to the agreement with the National Assembly for Wales Commission of the value of transferred assets and liabilities, additional fixed assets with an aggregate net book value of £7k were identified by the Assembly Government. Therefore, this disclosure differs from that set out in the financial statements of the National Assembly for Wales Commission by that value.

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<b>In-year transfer of assets</b>	
	<b>£000</b>
Fixed Assets	70,967
Donated Assets	10
Assets under Construction	4,078
Stock	29
Debtors	631
Assembly Members Pension liabilities	(2,586)
	<hr/> <b>73,129</b>
General Fund	69,229
Pension Fund Reserve	(2,586)
Revaluation Reserve	6,476
Donated Asset Reserve	10
<b>TOTAL</b>	<hr/> <b>73,129</b>

From 1 April 2007 both the Welsh Administration Ombudsman and the Auditor General for Wales are funded directly from the Welsh Consolidated Fund.

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#### 41. 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 National Assembly'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)

## **42. Pensions**

Following the mergers and transfers that took place during 2006-07, employees transferred on pre-existing terms and conditions including pensions. Employees of the Welsh Assembly Government may belong to a pre-transfer scheme unless they have opted to transfer to the Welsh Assembly Government's terms and conditions. The material scheme disclosures are shown below.



#### **42a. Principal Civil Service Pension Scheme**

The Principal Civil Service Pension scheme covers the following employees:

pre-merger Welsh Assembly Government staff;  
new staff to the Welsh Assembly Government;  
former National Council for Education and Training for Wales staff;  
former Qualifications, Curriculum and Assessment Authority for Wales staff; and  
some former Tir Gofal staff

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 2007-08, employers contributions of £29,938,969 were payable to the PCSPS (2006-07: £26,046,537) at one of four rates in the range 17.1 to 25.5 per cent (2006-07: 17.1 to 25.5 per cent) of pensionable pay, based on salary bands. Rates for 2008-09 will be in the range 17.1 to 25.5 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. Employers contributions of £140,072 (2006-07: £185,983) 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 £140,072.

Contributions due to the partnership pension providers at the balance sheet date were £nil (2006-07: £nil). Contributions prepaid at the date were nil (2006-07: nil).  
3 individuals retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £5,007.

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#### **42b. 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 remain on their existing terms and conditions and pension arrangements, until new arrangements are agreed.

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.

### Main financial assumptions used

	At 31 March 2008	At 31 March 2007	At 31 March 2006
Rate of increase in Salaries	5.2%	4.7%	4.0%
Rate of increase in pensions in payment	3.7%	3.2%	2.5%
Rate of increase to deferred pensions	3.7%	3.2%	2.5%
Discount rate	6.8%	5.3%	5.4%
Inflation assumption	3.7%	3.2%	2.5%

### The assets in the scheme and the expected rate of return were:

	Long-term rate of return expected at 31 March 2008	Value at 31 March 2008	Long-term rate of return expected at 31 March 2007	Value at 31 March 2007
		£000		£000
Equities	7.6	986,400	7.7	1,062,120
Property	6.6	51,100	6.7	-
Government bonds	4.6	156,600	4.7	153,800
Corporate bonds	6.8	32,600	5.3	18,770
Other	6.0	118,100	5.6	71,410
Total	7.1	1,344,800	7.2	1,306,100

### Funding position

2007-08

2006-07

	<b>£000</b>	£000
Share of assets	<b>89,200</b>	84,240
Estimated funded liabilities	<b>(121,440)</b>	(135,720)
Estimated unfunded liabilities	<b>(10,220)</b>	(11,840)
Surplus/(deficit)	<b>(42,460)</b>	(63,320)

#### **Analysis of the amount charged to operating cost**

	<b>2007-08</b>	2006-07
	<b>£000</b>	£000
Current service cost	<b>4,710</b>	3,650
Past service cost	<b>1,280</b>	970
Total operating charge	<b>5,990</b>	4,620

#### **Analysis of the amount credited to other finance income**

	<b>2007-08</b>	2006-07
	<b>£000</b>	£000
Expected return on pension scheme assets	<b>6,040</b>	5,300
Interest on pension scheme Liabilities	<b>(7,850)</b>	(6,260)
Net return	<b>(1,810)</b>	(960)

#### **Analysis of amount recognised in the statement of recognised gains and losses**

	<b>2007-08</b>	2006-07
	<b>£000</b>	£000
Actual return less expected return on pension scheme assets	<b>(2,750)</b>	(1,720)
Experience gains and losses arising on the scheme liabilities	<b>(590)</b>	(400)
Changes in assumptions underlying the present value of the scheme liabilities	<b>26,670</b>	(24,120)
Actuarial gain/(loss) recognised in SRGL	<b>23,330</b>	(26,240)

#### **Movement in surplus during the year**

	<b>2007-08</b>	2006-07
	<b>£000</b>	£000
Deficit in scheme at beginning of the year	<b>(63,320)</b>	(37,140)
Movement in year:		
Current service cost	<b>(4,710)</b>	(3,650)
Contributions	<b>5,330</b>	5,640
Past service costs	<b>(1,280)</b>	(970)
Other finance income	<b>(1,810)</b>	(960)
Actuarial gain	<b>23,330</b>	(26,240)
Surplus/(deficit) at the end of the year	<b>(42,460)</b>	(63,320)

#### **History of experience gains and losses**

	<b>2007-08</b>	2006-07
Difference between the expected and actual return on scheme assets		
▪ Amount (£000)	<b>(2,750)</b>	(1,720)
▪ Percentage of scheme assets	<b>-3.1%</b>	-2.0%
Experience gains and losses on scheme liabilities		
▪ Amount (£000)	<b>(590)</b>	(400)
▪ Percentage of the present value of scheme liabilities	<b>-0.4%</b>	-0.3%
Change in assumptions		
▪ Amount (£000)	<b>26,670</b>	(24,120)
▪ Percentage of the present value of scheme liabilities	<b>20.3%</b>	-16.3%
Total amount recognised in statement of recognised gains and losses		
▪ Amount (£000)	<b>23,330</b>	(26,240)
▪ Percentage of the present value of scheme liabilities	<b>17.7%</b>	-17.8%

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#### **42c. Former Wales Tourist Board employees**

Wales Tourist Board employees transferred to the Welsh Assembly Government on 1 April 2006 but remain on their existing terms and conditions and pension arrangements, until new arrangements are agreed.

The Board was a participant in the British Tourist Boards' Pension Scheme providing pension benefits and life assurance for all permanent staff. It is a funded defined benefit scheme based upon final pensionable pay. The assets are held by the Pension Scheme under a cash accumulation contract with the Prudential Assurance Company Limited.

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 7.3% per annum; that salary increases would average 3.6% per annum; and that pensions would increase in payment at 3.6% per annum.

The 2008 interim valuation showed that the value of the scheme's assets was £184.7 million and that the actuarial value of those assets represented 120.0% of the benefits that had accrued to members at that date, after allowing for expected future increases in earnings.

The agreed employer's contribution rate to the scheme was 10% of pensionable salaries (2006-07: 4.8% of pensionable salaries). The Welsh Assembly Government contributions in the year was £426,000 (2006-07: £203,000), plus additional contributions of £Nil to secure augmented benefits for staff retiring early (2006-07: £Nil).

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

#### **42d. Assembly Members' Pension Scheme**

The Assembly Parliamentary Service operated a pension scheme for Assembly Members providing benefits based on final pensionable pay. This scheme is now operated by the National Assembly for Wales Commission and is reported in their accounts. Pension adjustments of £2,586,000 were made in year to the General Fund following the transfer as described in Note 40.