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Welsh Assembly Government  
Llywodraeth Cynulliad Cymru  
Consolidated Accounts 2009-2010

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**Government of Wales Act 2006**

Accounts of the Welsh Assembly Government are prepared pursuant to Section 131 of the Government of Wales Act 2006 for the year to 31 March 2010, together with a Certificate and Report of the Auditor General for Wales thereon.

Laid before the Assembly on 2 September 2010 pursuant to the Government of Wales Act Section 131

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

### **Format of the accounts**

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

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

### **Function and operation**

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

All activities are continuing for financial reporting purposes up to 31 March 2010.

### **Principal aim and objectives**

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

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

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

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

### **Sources of funding**

Funding for the Welsh Assembly Government during 2009-10 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 2010 and its assets and liabilities at that date. The Welsh Assembly Government's core activities incorporated the expenditure of the Royal Commission for Ancient and Historic Monuments (Wales) (RCAHMW). The Welsh Assembly Government is responsible for operating much of the finance function of RCAHMW.

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

Health Commission Wales (Executive Agency) (HCW);  
 the Local Health Boards in Wales;  
 Finance Wales PLC;  
 Welsh Development Management Ltd;  
 Ryder Cup Wales 2010 Ltd; and  
 Design Commission for Wales Ltd.  
 Regeneration Investment Fund for Wales LLP

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

### **Results for the year**

The results for the period are reported in detail in the attached accounts. They record a net operating cost of £13,171,142,000 (2008-09 - £12,490,402,000). The net assets have decreased by £21,375,000. This is due to increases in the value of the roads network, the Aberystwyth property and student loans being offset by movement in debtors, cash and provisions.

### **Movements in property, plant and equipment**

Property, plant and equipment additions in the period were £467,184,000. These assets were re-valued in the period, resulting in a net decrease in value of £159,806,000.

## **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 pre-existing National Loans Fund loans.

At 31 March 2010 the Welsh Assembly Government and its related bodies had financial assets totalling £1,533,151,000 comprising Public Dividend Capital of £96,746,000; Student Loans of £1,383,993,000; property related investments of £16,624,000; interests in joint ventures of £18,665,000; loans of £3,220,000; and available for sale assets of £13,903,000.

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

## **Contingent liabilities**

Contingent liabilities that have not been provided for under IAS 37 are described in Note 23.1

## **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 2009-10.

## **Ministers and Senior Officers**

There were 10 Cabinet posts and 4 Deputy Minister posts during the financial year 2009-10:

<i><b>Cabinet Member</b></i>	<i><b>Post Held</b></i>
The Rt. Hon. Rhodri Morgan	First Minister (until 9 December 2009)
Carwyn Jones	First Minister (from 10 December 2009)
Ieuan Wyn Jones	Deputy First Minister and Minister for the Economy and Transport
Jane Hutt	Minister for Children, Education, Lifelong Learning and Skills (until 9 December 2009)
Leighton Andrews	Minister for Children, Education and Lifelong Learning (from 10 December 2009)
Jane Davidson	Minister for Environment, Sustainability and Housing
Andrew Davies	Minister for Finance and Public Service Delivery (until 9 December 2009)
Jane Hutt	Minister for Budget and Business (from 10 December 2009)

Dr Brian Gibbons	Minister for Social Justice and Local Government (until 9 December 2009)
Carl Sargeant	Minister for Social Justice and Local Government (from 10 December 2009 )
Edwina Hart MBE	Minister for Health and Social Services
Carwyn Jones	Counsel General and Leader of the House (until 9 December 2009)
John Griffiths	Counsel General (from 10 December 2009)
Elin Jones	Minister for Rural Affairs
Alun Ffred Jones	Minister for Heritage
Leighton Andrews	Deputy Welsh Minister for Regeneration (until 9 December 2009)
Jocelyn Davies	Deputy Welsh Minister for Housing and Regeneration
Huw Lewis	Deputy Minister for Children (from 10 December 2009)
John Griffiths	Deputy Welsh Minister for Skills (until 9 December 2009)
Lesley Griffiths	Deputy Welsh Minister for Science, Innovation and Skills (from 10 December 2009)
Gwenda Thomas	Deputy Welsh Minister for Social Services

### **Senior Officials**

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

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

<b><i>Board Members</i></b>	<b><i>Post Held</i></b>
Dame Gillian Morgan	Permanent Secretary
Paul Williams	Director General, Health and Social Services
David Hawker	Director General, Children, Education, Lifelong Learning and Skills
Gareth Hall	Director General, Economy and Transport
Emyr Roberts	Director General, Local Government and Public Service Delivery
Christine Daws	Director General, Finance (until 31 March 2010)

Bernard Galton	Director General People, Places and Corporate Services
Clive Bates	Director General, Sustainable Futures
Elan Closs Stephens	Non-Executive Director
James Turner	Non-Executive Director
Kathryn Bishop	Non-Executive Director (to 15 January 2010)

Membership of each of the management boards within HCW, the Local Health Boards, and the subsidiary companies are detailed in their individual accounts for 2009-10.

### **Senior official appointments**

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

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

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

Appointments relating to Senior Officials within HCW, the Local Health Boards and subsidiary companies are detailed in their individual accounts for 2009-10.

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

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

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

### **Pensions and early departure costs**

Details of the Welsh Assembly Government pensions and early departure costs policies are included in notes 1 and 36 to these accounts.

### **Better Payment Practice Code**

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

The Welsh Assembly Government policy is to pay purchase invoices immediately on satisfactory receipt of goods or services. During the year ending 31 March 2010, records from across the Welsh Assembly Government showed that 99% of invoices were paid within 30 calendar days. The public sector benchmark for most of that year was that 95% of invoices should be paid within this deadline.

The relevant percentage of invoices paid within the terms of their payment policies by HCW, the Local Health Boards, and subsidiaries are disclosed in their respective accounts.

The Welsh Assembly Government paid 98% of invoices against the 10 working day target.

### **Auditors**

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

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

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

Health Commission Wales ceased to exist from 31 March 2010 under The Welsh Health Specialised Services Committee (Wales) Directions 2009. Responsibility for planning and securing specialised services has passed on 1 April 2010 to a new Welsh Health Specialised Services Committee, a joint committee of the 7 Welsh Local Health Boards. Cwm Taf Local Health Board hosts this new joint committee.

Responsibility for Sea Fisheries management in Wales transferred to the Welsh Assembly Government from 1 April 2010. This amalgamates the South Wales Sea Fisheries Committee, and the Welsh portion of the North Western and North Wales Sea Fisheries Committee with the Welsh Assembly Government Sea Fisheries Unit.

### **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**  
**23 August 2010**

## **THE PERMANENT SECRETARY'S MANAGEMENT COMMENTARY**

### **SUSTAINABLE DEVELOPMENT PRINCIPLE**

Sustainable development was confirmed by the Cabinet as the central organising principle of the Welsh Assembly Government in the new Sustainable Development Scheme One Wales: One Planet, published in May 2009. The Strategic Delivery and Performance Board, supported by the Director General for Sustainable Futures, have framed the outcome of sustainable development as 'the maximisation of wellbeing of Welsh citizens over the longer-term', drawing on the definitions in the Scheme.

This concept encompasses two further criteria for decision-making: that the concept must inform hard choices in policy and investment in the present and that the arising propositions must be credible to the citizens for whom we are delivering. The Strategic Delivery and Performance Board are operationalising this through the Welsh Assembly Government by ensuring that the concept and the associated criteria for decision-making sit at the heart of Government.

### **ENABLING GOVERNMENT FRAMEWORK**

The framework sets out what we are doing to become more efficient, effective and more focused on outcomes and delivering results. A series of initiatives are in place to deliver the priorities which are built around our core values of delivering results, valuing people and achieving excellence. Those priorities include setting a clear direction for the organisation and the public sector in Wales, improving our relationships with delivery partners, stakeholders and citizens, joining up between departments and across the public sector and putting value for money at the heart of everything we do.

We are also focused on driving up the performance of the organisation by planning, resourcing and prioritising more effectively, managing our resources flexibly, reducing complexity and improving the way we develop policy and make legislation. Our priorities also recognise that we will only be able to deliver this by establishing a common identity and culture so that we look, feel and act like a single organisation and by building the capability and capacity of the organisation.

### **DELIVERING RESULTS**

#### ***Strategic Delivery & Performance Board***

A key area where the new Director General structure has added real value was during the change in First Minister and allocation of Ministerial responsibilities. Directors General were able to respond swiftly to the changes. The new Director General structure has also facilitated collaborative working during the development of the Department for the Economy and Transport's Economic Renewal Programme. Through working together, Directors General have examined the scope for the better alignment with economic development objectives within wider policies which will, in turn, add value in areas such as planning, procurement and regulation.

#### ***19 Strategic Outcomes to drive delivery of One Wales agenda***

A Strategic Framework consisting of 19 key policy outcomes has been built from the One Wales Agreement. It is the starting point for building and constructing business plans at a departmental level. Each Director General, in developing their business plan and dashboards, specifies how



different policies and programmes contribute to strategic outcomes and the One Wales partnership agreement. The One Wales-based Strategic Framework provides a focus for budget allocations and a discussion about how quickly the Welsh Assembly Government and its partners is moving towards desired outcomes.

### ***Management and development of strategic relationships with stakeholders***

Over the past twelve months we have maintained our commitment to building strategic relationships with stakeholders at local level, through Local Service Boards, and at the national level, through the Executive Leadership Group and, subsequently, the Public Services Summit and Efficiency and Innovation Board. At the local level, the focus is on pan public service leadership of place as a means of unlocking innovation and efficiency across service and organisational boundaries. Feedback from the Local Service Boards confirms that the role of the Welsh Assembly Government official has been welcomed as exemplifying a new way of working.

By bringing together public service leaders through the Executive Leadership Group, the Public Services Summit and the Efficiency and Innovation Board, we have provided leadership at a national level for new models of service delivery, and a coherent approach to securing efficiencies, innovation and improvement across public services in Wales.

## **ACHIEVING EXCELLENCE**

### ***IDEAS***

IDEAS is a major business improvement programme that enables and supports the governance and control of resources that support the organisation and public services. It is key to our drive for more effective but less resource-intensive internal processes that will provide the data and information to inform outcome-focused resource allocation to meet Government priorities now and in the future.

The financial tool underpinning the SAP system, which was installed in April 2008, is sophisticated. It has already improved our ability to manage resources and offers the opportunity to add in additional key functions, for example integrated HR systems and improved grants management. Both of these aspects will be developed in 2010-11.

A new general ledger and chart of accounts is now in place supported by an integrated senior finance network which facilitates and enables improved financial management and control, and better cross-departmental working. For the first time we now have one set of figures used across every part of Government. A new procurement and purchasing system was introduced in 2009-10 which offers increased compliance and assurance and greater information on spend. Together with electronic catalogues this will increase opportunities for savings through better demand and category management.

The IDEAS programme generated savings in excess of £8 million during 2009-10 through improvements in core processes, behaviours and controls, such as debt management, removal of accrual errors and better treatment and recovery of VAT.

### ***Managing for Delivery & Dashboards***

New tools were developed during the course of the year by the Managing for Delivery work-stream of the IDEAS programme that will integrate the planning and budgeting process across the organisation. The single approach to planning and reporting that is being developed, will help ensure

value for money and effectiveness of spend is better monitored. This will also allow managers to form an assessment of how well we are delivering Ministerial priorities.

By 31 March 2010, 38 dashboards had been delivered to departments which captured the progress made on key outcomes, which involved a complete restructuring of how the budget is organised along more proactive lines. Work is well underway on linking budgets to plans and this should be completed early in the new financial year. Not only were the dashboards developed and utilised by departments during the year to 31 March 2010 but the planned refresh process went ahead as planned which enabled departments to review what their outcomes and key performance indicators for 2010-11 should be. The process will be subject to ongoing development as the process gets better embedded as business as usual across the organisation.

### ***Improved business support & operational co-ordination***

Work started in late 2008 to establish strengthened business support for each of the policy Director Generals and for the central services. The resulting Operations Teams have been designed to provide integrated professional support in key functions, including financial management and corporate governance, programme and project management, business planning, human resource management and change management.

The new teams support connectivity across portfolios and between the centre and those responsible for developing and delivering policy and services. The teams have been created by drawing together and strengthening the professional roles of existing staff and by making corporate services more directly accountable to their customers in the business. The 18+ previous units have been condensed into 6 new teams, removing much duplication of effort and reducing bureaucracy.

### ***Reducing complexity***

One of our priorities has been the need to reduce the levels of unnecessary complexity in the organisation to help drive up efficiency. A number of new initiatives have been commissioned in response to this. As an example, we are identifying and implementing 'gold standard' approaches to our key processes which define the most efficient and effective way of doing something.

Small teams are already redesigning our processes for handling correspondence and advice to Ministers. We are also taking the building blocks from our IDEAS Programme, HR systems and other key corporate information sources to build a single set of knowledge which will remove the need for transactional hand-offs and commissioning between the centre, corporate services and the business.

In addition, initial steps are being taken to overhaul the way we administer grants, looking at the processes and systems we use with a view to dramatically reducing the administrative overhead whilst improving the robustness of our management controls and making the whole operation more transparent for applicants.

### ***Improving policy making***

A key theme of Enabling Government is improving policy making, through better consultation and engagement and better use of evidence and analytical tools. In the course of 2009-10 we reviewed the "policy gateway". This tests new policies under development for their compatibility with the overall aims of the organisation and their contribution to sustainable development. As a result of the review a new early stage assessment, the "policy threshold", was adopted as a permanent part of our

appraisal process. This will enable earlier identification of linkages that need to be made, both with other policies and with those who might deliver and be affected by the proposals.

A "Policy Mill" has also been established - a network which brings together people from each Director General area who have a broad overview of policy developments and future policy direction. It will help in ensuring that we follow good practice in using the policy threshold and policy gateway tools and in managing consultations. We have also improved the consistency and accessibility of our formal consultation exercises.

In addition, as part of the development of professional skills, the skills and behaviour framework for staff has been reviewed and updated to include more specific policy skills. Building on this, new courses have been developed, providing the policy training that will continue to build capacity and expertise among staff.

### ***New co-ordination of analytical services providing more evidence for better policy development***

Statistical services, social research and economic advice have been brought together with the library and first point of contact centre into one department of Knowledge and Analytical Services, in place since November 2009. The organisational change has enabled closer working between the analytical disciplines in support of policy departments particularly on cross-cutting issues and we have also aligned staff with Directors General structures to enable thematic specialisation.

Multi-disciplinary Evidence Support Teams have been set up to work with Director General areas in establishing their requirements. Each Evidence Support Team is led by a relationship manager who is beginning to develop their account management role on behalf of their respective Director General.

### ***Better Legislation***

In 2009-10 we built on the legislative experience gained in the previous two years, taking through eight Legislative Competence Orders to approval by the Assembly, five of which were introduced within the year. This resulted in a significant extension to the legislative competence of the National Assembly for Wales covering areas such as the Welsh Language, the Environment and Local Government. Significant progress was also made in using these powers, successfully taking through six Assembly Measures to approval by the Assembly, including Social Care Charges and Education, with a further four Measures, relating to for example Mental Health and Waste, introduced within the year.

In parallel, the work on the Enabling Better Legislation programme produced a comprehensive, phased training programme which significantly contributed to improvements in the development of legislation within the year's Legislative Programme. In addition, the Enabling Better Legislation programme has initiated work to review internal processes to increase the efficiency and effectiveness of the development of legislation.

### ***Flexible Resource Management***

Flexible Resource Management is a mechanism that helps the organisation more speedily respond to changing priorities. It involves the supply of human resources to high priority time-limited posts. Supply currently occurs most commonly from the centre of the organisation through three virtual pools of staff.

One pool supplies policy specialists to high priority policy and legislation projects. The second pool contains programme and project management specialists, targeted most commonly at the highest

priority corporate change projects through the Enabling Government Portfolio. These two pools contain c.60 staff, though current moves are increasing this number to satisfy increasing immediate demand. The final pool (the Central Postings Pool) is made up of staff that are, either surplus following organisational change or have returned to the organisation from secondment or career break. Whilst the majority of this group are seeking permanent posts, some are deployed on short term pieces of work until a permanent post is found.

## **VALUING PEOPLE**

### ***Collective Leadership/Managing Performance***

As part of our strategy to develop distributed leadership across the organisation we ran a series of events throughout the year involving managers at several levels. Leadership Forums, held quarterly, brought together the Strategic Delivery and Performance Board with all members of the Senior Civil Service. Each event focused on one of the priorities from the Enabling Government Framework. Senior Civil Service development was also aligned to Enabling Government priorities and delivered as part of the event. A similar programme of updates and development was made available to team leaders across the organisation as part of the Leadership Network. A regular Leadership Brief served as the Strategic Delivery and Performance Board's main channel for reaching the 1200 or so leaders of all grades with news and background briefing between events.

### ***Staff Survey***

The 2010 Staff Survey received a 74% response rate, an increase of 3% from the previous year. The employee engagement score for the Welsh Assembly Government was 71%, which maintains the high score from the previous survey. The Staff survey 2010 was a transitional survey, as the Welsh Assembly Government is due to join the Civil Service People Survey in Autumn this year. Therefore, around half of the Civil Service People Survey attitudinal questions were included in the survey so that comparisons can be made over time.

The results of the survey were compared to the Civil Service People Survey. Of the 36 questions for which benchmark data was available, we had higher positive scores for 23. The survey scores compared less favourably when analysing changes since the last staff survey. Of the 39 questions which can be compared with last year's survey, there were higher favourable scores for 14 questions.

The organisation scored particularly well in relation to:-

- Staff having the skills to do their jobs effectively
- Teams working together to find ways to improve the service provided
- Managers being considerate of staff's lives outside of work

Director Generals and their senior teams will be leading sessions within their Departments to look at local-level results and what action they might need to take to address any issues.

### ***Skills Strategy***

The organisation submitted its Departmental Skills Strategy update in April 2009 as part of the Skills Strategy for Government process, led by Government Skills. The peer review process result scored 3rd highest across the Civil Service, being commended in a number of areas, particularly around management information and work with the Heads of Professions.

As part of the ongoing next generation HR and the Skills Strategy for Government the organisation has reported savings of £295,490, which is equivalent to 5% of the training budget. The savings made have been both in terms of sharing Learning and Development provision as well as the utilisation of smart procurement practices. An ever increasing number of the organisation's courses linked to professions are now accredited which ensures that the quality of provision has been assured. In addition to the direct savings made we have also taken great strides this year to enable savings for other Government Departments and other public sector bodies across Wales.

The core Learning and Development programme is being used as a pilot programme through the Qualification Framework for Wales. They are working in partnership with Welsh Universities, the Open College Network and the ILM to enable 6,500 staff to access accredited lifelong learning opportunities that are recognised and transferable. Plans are also in place to extend this to the other Welsh Public Sector bodies including Local Government and the NHS during 2010-11.

The first pilot Foundation Modern Apprenticeship Programme was completed on 31 March 2009. Over the next 5 years, we have committed to recruiting 100 new apprentices, and have held a significant planning event with Jobcentre Plus, cross public sector employers, Careers Wales and Government Skills to secure support across Wales.

### ***Location Strategy***

#### **Aberystwyth**

Construction was completed on time and slightly under budget in June 2009. Staff started moving into the building in September 2009 and around 400 are now based there. The office has been awarded a BREEAM 'Excellent' award and a 'B' rated Energy Performance Certificate which shows that it is currently the most energy efficient building on our estate.

#### **Llandudno Junction**

Work on the office remains on schedule with construction completed in April 2010. Staff will move in on a phased basis over the summer, with the building being officially opened by the First Minister in September 2010. The building has been awarded a BREEAM 'Excellent' rating for the design stage with a score of 75.8%. A voluntary post-construction BREEAM review will also be undertaken, with predicted carbon emissions for the building being significantly better than those allowed under building regulations.

### ***Sickness absence***

The average rate of sickness absence during 2009 was 8.0 days per employee, the number of staff with no sick leave is currently at 39%. Sickness absence is now 25% lower than the 2003 rate of 10.7 days per person, with financial benefits in the region of £2 million per year and an improved level of service for our customers.

Our processes for managing sickness absence have been recognised nationally with our achievement of the Occupational Health Award for Absence Management and other Government Departments and agencies have been in regular contact with us, keen to learn from our example. A new electronic reporting system has made it easier for managers to record absence and staff to update their records upon their return. The new system has also provided the most accurate real-time absence data we have ever received and is allowing us to target areas where absence levels are higher than average.

## *Equality and Diversity*

We have been working to mainstream equality and value diversity across the organisation through all aspects of our work. The development of the Single Equality Scheme and Diversity Delivery Plan are key building blocks in changing the culture and behaviour of our organisation and set an ambitious programme for delivery.

Following a targeted campaign launched in February 2009 we have increased our diversity data disclosure rate to at least 92% for all equality strands. We continue to capture and disaggregate staff data and report on this in our annual equality report.

The representation of staff at Senior Civil Service and feeder grades is outlined below. Given the relocation of staff outside of Cardiff, the moratorium on recruitment and the merging of a number of AGSBs, the targets to be achieved by April 2008 have not been attained. Furthermore, there has not been any significant change to the representation of our staff at these grades over the past year.

We continue to offer a wide range of placement schemes targeted at specific under-represented groups. Currently these range from programmes supporting talented minority ethnic and disabled graduates, to schemes targeting candidates with learning difficulties and mental health problems. During 2009-2010 we placed a total of 125 individuals across 14 different placement schemes.

<b>Staff in Senior Civil Service - Senior Management</b>	<b>Target by April 2008</b>	<b>Number at the end of March 2008</b>	<b>% at end of March 2008</b>	<b>Number at the end of March 2009</b>	<b>% at end of March 2009</b>	<b>Number at the end of March 2010</b>	<b>% at end of March 2010</b>
SCS – Female	45%	60	36%	60	36%	55	38%
SCS 2&above (Female)	30%	10	21%	10	19.4%	6	11%
SCS – BME	4%	*	1%	*	1.3%	*	1%
SCS – Disabled staff	3%	5	3%	10	4.4%	6	4.1%

<b>Staff in Executive Management Bands</b>	<b>Target by April 2008</b>	<b>Number at the end of March 2008</b>	<b>% at end March 2008</b>	<b>Number at the end of March 2009</b>	<b>% at end March 2009</b>	<b>Number at end of March 2010</b>	<b>% at end of March 2010</b>
Female	50%	370	40.7%	390	42.1%	420	43.4%
BME	3%	15	1.7%	20	1.7%	20	2%
Disabled Staff	4%	30	2.9%	20	2.6%	40	4.1%

In 2008-9 we undertook six benchmarking exercises to gauge how well we promote equality across Welsh Assembly Government in regards the various equality strands. The results are outlined below:-

<b>Equality strand</b>	<b>Benchmark</b>	<b>Provider</b>	<b>Most recent outcome</b>
Age	E-Quality (cross-strand diversity benchmark)	Employers Forum On Age	Silver award
Disability	The Disability standard	Employers Forum On Disability	60 % - Bronze award
Gender	Gender benchmarking	Opportunity Now	70.1 % - Silver award
Race	Race benchmarking	Race for Opportunity	76 %
Sexual Orientation	Workplace Equality Index	Stonewall	63 <sup>rd</sup> position in the 'Stonewall top 100 UK employers) and the third ranked organisation in Wales
Transgender	Trans-Equality Index	A:gender	73.1 %

## **GREENING OPERATIONS**

The Green Dragon Environmental Standard has been used to install an effective Environmental Management System (EMS) which enables us to address and measure the environmental impacts of our day-to-day activities across the entire administrative estate. Level 5 Certification of the Green Dragon Environmental Standard was achieved in March 2010.

In addition, an Environmental Performance Management System also went live in February 2010, which allows offices to accurately record and view their energy consumption. Thirty offices have been installed with electricity Automatic Meter Readers to provide detailed information to enable Local Property Managers to improve energy efficiency at their sites. Gas and water meters are currently being installed.

We have signed up to the 10:10 commitment - this aims for businesses to record a 10% decrease in emissions during 2010 from electricity, fossil fuels, fleet vehicle use and air travel. Carbon dioxide emissions from administrative estate offices, and business travel decreased by 4% (645 tonnes) in 2008-2009 from the previous year. Emissions from electricity and gas used in our offices decreased by 5% during the year, but carbon dioxide emissions from business travel increased by 1.4%.

## **RESILIENCE**

The response to Swine Flu dominated the activities of the Resilience Team from April 2009 until January of this year and the examination of the lessons learned during the outbreak has been predominant since then. Just after the Pandemic Flu operation was closed down the operation to deal with the difficult winter conditions and a shortage in the supply of salt began. The Resilience Team worked with Transport Wales and the Welsh Local Government Association to attend 'Salt Cell' meetings with the other home countries in order to organise delivery schedules in difficult circumstances. The severe weather caused other disruptions that caused the Emergency Control Centre Wales to open and link to Police GOLD groups established in the four Welsh forces.

The Emergency Control Centre Wales continues to develop and has been included in the roll out of the High Integrity Telecommunications System that will enable us to communicate with Whitehall and other Government Departments in the event of the loss of the usual telephone systems. The Wi-Fi facilities within the centre continue to be widened and improved and the acquisition of a Microsoft Surface will improve our ability to present data. We are also planning cooperation with Welsh universities to help develop the ability to absorb, sift, present and select data in fast moving situations in order to assist more informed decision making.

## **BUSINESS CONTINUITY**

The business continuity strategy has been set formally in place. The Corporate Plan was revised in March 2010. We now have 6 Directorate Plans as opposed to 15 individual departmental plans as was the case prior to the Director General restructuring. All plans are reviewed monthly.

## **PERSONAL DATA RELATED INCIDENTS**

There is now one Unit which is responsible for all aspects of corporate security policy and the security of personnel, information and property across the organisation. The Unit continues to review and update security policies and procedures to reduce the threat of attack against staff, information and premises. Regular audits are conducted to ensure understanding and compliance with these policies and procedures and assistance is given to resolve any areas of concern. The role of Information Asset Owners has begun to mature within Departments. This year, we placed particular emphasis on the security of our delivery chain and Information Asset Owners have written to our third party delivery partners to gain assurance that they are securely processing and storing the personal data they hold on our behalf.

## **STRATEGIC BUSINESS OBJECTIVES**

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

At the end of the 2008-9 financial year, it was confirmed that the NHS Reform Programme was on target. Six new Local Health Boards (LHB) were established in shadow form from the 1<sup>st</sup> June 2009, and became fully operational from the 1<sup>st</sup> October 2009.

From the 1<sup>st</sup> October 2009, there are the following seven LHBs in Wales:-

- Abertawe Bro Morgannwg University LHB;
- Aneurin Bevan LHB;
- Betsi Cadwaladr University LHB;
- Cardiff & Vale University LHB;
- Cwm Taf LHB;
- Hywel Dda LHB; and
- Powys LHB.

These Local Health Boards are responsible for planning, designing, developing and securing the delivery of primary, community, in-hospital care services, and where appropriate specialised and tertiary services for the citizens in their respective areas to meet identified local needs, within the national policy and standards framework set out by the Minister for Health and Social Services.

There are now three NHS Trusts:



- Public Health Wales NHS Trust (from 1 October 2009);
- Velindre NHS Trust; and
- Welsh Ambulance Services NHS Trust.

In July 2009, the existing LHBs and NHS Trusts produced unqualified accounts for 2008-9 and all organisations met their statutory financial targets for that year.

In April 2009, the National Advisory Board was established, and is responsible for providing independent advice to assist the Minister for Health and Social Services in discharging her functions and meeting her accountabilities for the performance of the NHS in Wales. Chaired by the Minister, this Board holds its meetings in public, with its board papers published on the Welsh Assembly Government website.

The National Delivery Group is responsible for providing strategic leadership and management of the NHS. Chaired by the Chief Executive, NHS Wales, it provides policy advice to the Minister and oversees the development and delivery of NHS services across Wales, in accordance with the direction set by the Minister. The Group is also responsible for planning and performance management of the NHS on behalf of Welsh Ministers.

To ensure that the NHS Reform Programme was progressing in the right direction, and to provide assurance, the Programme has been the subject of the Office of Government Commerce Strategic Assessment Gateway Reviews. The second in September 2009 confirmed that the Programme had successfully completed all the preparatory work required to launch the new NHS structure.

### ***Economic Summits/Social Impacts***

Analytical work on the social impacts of the recession began early in 2009 with a preliminary paper to Cabinet on 23<sup>rd</sup> February, setting out some of the basic considerations and options for further investigation. There followed a more detailed piece of work which brought together wide-ranging evidence under the themes of Education and Skills, Housing, Health, Community Safety, Personal Relationships and Living Standards. These reviews looked at social impacts through previous recessions and economic cycles; examined recent evidence to identify the current impacts; and presented anecdotal evidence of social impact from the media and other sources.

The evidence reviews were presented at the Economic Summit on 4<sup>th</sup> June, by the Social Justice and Local Government Minister, promoting a discussion and responses from the voluntary and housing sectors, among others. A paper was also prepared for Cabinet and presented on 15<sup>th</sup> June, prompting a discussion around our policy response to the recession and the challenges it posed in resource allocation.

### ***Economic Renewal Programme***

The Economic Renewal Programme, launched in October last year is currently reviewing our approach to economic development. The Programme reached the end of its consultative phase in May 2010. The most effective business and wider policies to support economic development were identified. These formed recommendations announced in July, with implementation to follow from September 2010.

### ***Independent Commission on Funding and Finance for Wales ("Holtham Commission")***

The One Wales programme for government includes a commitment to establish an independent commission to review Assembly funding and finance, including the Barnett Formula, tax-varying powers and borrowing powers. The three members of the Independent Commission on Funding and Finance for Wales were appointed in summer 2008, with Gerald Holtham as Chair. The Commission submitted its first report, investigating the operation of the Barnett Formula, in July 2009, and it is currently preparing its final report (due summer 2010), which will consider the case for the devolution of tax and borrowing powers, and also examine how the Barnett Formula could be replaced by a needs-based formula.

### ***Efficiencies***

Our drive towards greater efficiency continued during 2009-10 with the embedding of the new Director General structure. Alongside the recurrent annual savings of £500,000 that this restructure generated from a major reduction in the number of Senior Civil Servants, each department underwent structural reviews to streamline their activities and create a platform for constraining future staff costs.

We have also begun a series of benchmarking exercises with both the public and private sectors to ensure that we share and learn best practice from as broad a range of organisations as possible. We are also working closely with the rest of the Welsh public sector to develop a partnership approach to issues from procurement through to staff development and deployment.

Internally, a series of innovative initiatives have been introduced to produce recurrent cost efficiencies, such as closing buildings on the weekend, saving £90,000 annually, and improved videoconferencing facilities which will save us around £600,000 annually. A major internal initiative, "Managing with Less", was also launched to help us to meet our target of delivering running costs savings of almost £6 million during 2010-11.

**Dame Gillian Morgan**  
**Permanent Secretary and Principal Accounting Officer**  
**23 August 2010**

## REMUNERATION REPORT 2009-10

### *Remuneration Policy*

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

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

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

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

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

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

### **Service Contracts**

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

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

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

## Salary and pension entitlements \*

\*This section is subject to audit.

The following sections provide details of the remuneration and pension interests of the Ministers and the most senior management (i.e. Board members) during 2009-10.

### 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.

	2009-10	2008-09
<b>Ministers</b>	Salary £	Salary £
Rhodri Morgan <i>First Minister (to 9 December 2009)</i>	90,823 (131,463 full year equivalent)	130,254
Carwyn Jones <i>First Minister (from 10 December 2009)</i>  <i>previously Counsel General (to 9 December 2009)</i>	40,640 (131,463 full year equivalent)  64,770 (93,753 full year equivalent)	-   92,544
Ieuan Wyn Jones <i>Deputy First Minister</i>	93,753	92,544
Andrew Davies <i>Welsh Minister (to 10 December 2009)</i>	65,022 (93,753 full year equivalent)	92,544
Jane Davidson <i>Welsh Minister</i>	93,753	92,544
Dr Brian Gibbons <i>Welsh Minister (to 10 December 2009)</i>	65,022 (93,753 full year equivalent)	92,544
Edwina Hart MBE <i>Welsh Minister</i>	93,753	92,544
Jane Hutt <i>Welsh Minister</i>	93,753	92,544

	<b>2009-10</b>	<b>2008-09</b>
	Salary £	Salary £
Elin Jones <i>Welsh Minister</i>	93,753	92,544
Alun Ffred Jones <sup>1</sup> <i>Welsh Minister</i>	89,063	63,091 (Full year equivalent 92,544)
Carl Sargeant <i>Welsh Minister (from 10 December 2009)</i>	28,983 (93,753 full year equivalent)	-
Leighton Andrews <i>Welsh Minister (from 10 December 2009)</i>	28,983 (93,753 full year equivalent)	-
<i>previously Deputy Welsh Minister (to 9 December 2009)</i>	54,353 (78,674 full year equivalent)	77,465
Jocelyn Davies <sup>1</sup> <i>Deputy Welsh Minister</i>	77,081	74,682
John Griffiths <i>Counsel General (from 10 December 2009)</i>	28,983 (93,753 full year equivalent)	-
<i>previously Deputy Welsh Minister (to 9 December 2009)</i>	54,667 (78,674 full year equivalent)	77,465
Huw Lewis <i>Deputy Welsh Minister (from 10 December 2009))</i>	24,321 (78,674 full year equivalent)	-
Lesley Griffiths <i>Deputy Welsh Minister (from 10 December 2009)</i>	24,321 (78,674 full year equivalent)	-
Gwenda Thomas <sup>1</sup> <i>Deputy Welsh Minister</i>	77,465	77,465

<sup>1</sup> Did not draw full Members Salary

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 (including pension entitlements) as Assembly Members.

	<b>2009-10</b>	<b>2008-09</b>
Officials	Salary £000	Salary £000
Dame Gillian Morgan <sup>1</sup> <i>Permanent Secretary</i>	160-165	170-175 (full year equivalent 180-185)
Paul Williams <sup>2</sup> <i>Director General</i>	200-205	60-65 (full year equivalent 185-190)
Bernard Galton <i>Director General (from 01/03/2009 previously Director)</i>	140-145	125-130
David Hawker <i>Director General</i>	150-155	100-105 (full year equivalent 145- 150)
Emyr Roberts <i>Director General (from 01/03/2009 previously Director)</i>	140-145	105-110
Gareth Hall <i>Director General</i>	150-155	145-150
Christine Daws <i>Director General (from 01/03/2009 to 31/03/2010 previously Director)</i>	135-140	125-130
Clive Bates <i>Director General (from 23/03/09)</i>	130-135	0-5 (Full year equivalent 130- 135)
Kathryn Bishop <i>Non-Executive Director (to 15 January 2010)</i>	10-15	10-15
Elan Closs Stephens <i>Non-Executive Director</i>	10-15	10-15

	<b>2009-10</b>	<b>2008-09</b>
Officials	Salary £000	Salary £000
James Turner <i>Non-Executive Director (from 01/03/09)</i>	10-15	0-5  (full year equivalent 10-15)

<sup>1</sup>Dame Gillian Morgan received a one-off contribution in 2008-09 to additional housing costs of £25,000, which was approved by the Cabinet Office.

<sup>2</sup> Paul Williams is seconded from Abertawe Bro Morgannwg University LHB which is consolidated into these accounts. NHS Pensions were not able to provide CETV figures.

## Salary

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

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

Senior Civil Servants within the Welsh Assembly Government are entitled to a performance related bonus which is paid at the end of July each year. It is the role of the Senior Civil Service Remuneration Committee to determine the reward strategy each year, assessing the relevant contributions and performance of these employees during the year. This Remuneration Committee consists of the Permanent Secretary, a Senior Director and two non-executive Directors.

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Customs and Revenue as a taxable emolument, and is disclosed to the nearest £100. The only benefits in kind assessed for were for Bernard Galton £nil (2008-09: £300), David Hawker £6,959 (2008-09: £6,959) and Clive Bates £8,000 (2008-09: nil).

## Pension Benefits

<b>Ministers</b>	Accrued pension at age 65 as at 31/3/10	Real increase in pension at age 65	CETV at 31/3/10	CETV at 31/3/09	Real increase in CETV
	£000	£000	£000	£000	£000
Rhodri Morgan <i>First Minister (to 9 December 2009)</i>	25-30	2.5-5	484	434	36
Carwyn Jones <i>First Minister (from 10 December 2009 previously Counsel General)</i>	0-5	0-2.5	318	304	7
	20-25	0-2.5	304	262	21

	Accrued pension at age 65 as at 31/3/10	Real increase in pension at age 65	CETV at 31/3/10	CETV at 31/3/09	Real increase in CETV
	£000	£000	£000	£000	£000
Ieuan Wyn Jones <i>Deputy First Minister</i>	20-25	5-7.5	519	394	55
Jane Davidson <i>Welsh Minister</i>	20-25	2.5-5	385	318	37
Andrew Davies <i>Welsh Minister (to 10 December 2009)</i>	20-25	2.5-5	415	337	27
Dr Brian Gibbons <i>Welsh Minister (to 10 December 2009)</i>	40-45	0-2.5	908	800	37
Edwina Hart MBE <i>Welsh Minister</i>	25-30	2.5-5	499	420	42
Jane Hutt <i>Welsh Minister</i>	30-35	2.5-5	630	540	51
Elin Jones <i>Welsh Minister</i>	15-20	2.5-5	359	305	44
Alun Ffred Jones <i>Welsh Minister</i>	5-10	0-2.5	153	109	33
Carl Sargeant <i>Welsh Minister (from 10 December 2009)</i>	10-15	0-2.5	125	119	7
Leighton Andrews <i>Welsh Minister (from 10 December 2009)</i> <i>previously</i> <i>Deputy Welsh Minister</i>	0-5	2.5-5	427	385	9
	20-25	0-2.5	385	322	27
Jocelyn Davies <i>Deputy Welsh Minister</i>	10-15	0-2.5	242	192	29
John Griffiths <i>Counsel General (from 10 December 2009)</i> <i>previously</i> <i>Deputy Welsh Minister</i>	0-5	0-2.5	271	265	10
	10-15	0-2.5	265	217	25
Gwenda Thomas <i>Deputy Welsh Minister</i>	10-15	0-2.5	161	126	22



	Accrued pension at pension age as at 31/3/10 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/10	CETV at 31/3/09	Real increase in CETV
	£000	£000	£000	£000	£000
Huw Lewis <i>Deputy Welsh Minister (from 10 December 2009)</i>	15-20	2.5-5	224	187	6
Lesley Griffiths <i>Deputy Welsh Minister (from 10 December 2009)</i>	5-10	0-2.5	118	110	5
<b>Officials</b>					
Dame Gillian Morgan <i>Permanent Secretary</i>	105-110	5-7.5	1,442	1,276	79
Bernard Galton <i>Director General (from 01/03/2009 previously Director)</i>	55-60 plus lump sum of 165-170	7.5-10 plus lump sum of 20-25	1,133	927	154
Christine Daws <i>Director General (from 01/03/2009 to 31/03/2010 previously Director)</i>	35-40 plus lump sum of 105-110	2.5-5 plus lump sum of 10-15	823	713	69
Paul Williams <sup>2</sup> <i>Director General</i>	105-110	2.5-5 plus lump sum of 12.5-15	0	0	0
David Hawker <i>Director General</i>	5-10	2.5-5	101	37	56
Emyr Roberts <i>Director General (from 01/03/2009 previously Director)</i>	40-45 plus lump sum of 130-135	7.5-10 plus lump sum of 23-30	828	618	168
Gareth Hall <i>Director General</i>	55-60	2.5-5	930	807	74
Clive Bates <i>Director General (from 23/03/09)</i>	0-5	2.5-5	34	1	29

## **Civil Service Pensions**

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium, Classic Plus and Nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years’ pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum, Classic Plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per Classic and benefits from October 2002 calculated as in Premium. In Nuvos a member builds up a pension based on his pensionable earnings during his period of scheme membership. At the end of the scheme year (31 March) the member’s earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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

## **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members accrued benefits and any contingent spouse’s pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of

their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Scheme (Transfer Values)(Amendment) Regulations and do not take account of any actual or potential reduction in benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

**Real increase in CETV**

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

**Dame Gillian Morgan**  
**Permanent Secretary and Principal Accounting Officer**  
**23 August 2010**

## 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 2010 in accordance with directions given to it by the Treasury. The Treasury direction requires the detailing of the resources acquired, held, or disposed of during the period.
- 2 The consolidated resource accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Welsh Assembly Government and the other entities within the group at the end of the period, and of their net operating cost, recognised gains and losses and cash flows for the financial period.
- 3 The Permanent Secretary is the Principal Accounting Officer (PAO) for the Welsh Ministers by virtue of Section 133 of the 2006 Act, with responsibility for the overall organisation, management and staffing of the Welsh Assembly Government. This includes responsibility for Welsh Assembly Government-wide systems in finance and other matters, where these are appropriate, and for the management of the Welsh Assembly Government's net cash requirement. She is also responsible for preparing and signing the Welsh Assembly Government's consolidated resource account.
- 4 In preparing the accounts the PAO is required to comply with the Financial Reporting Manual (FReM), and in particular to:
  - observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
  - make judgements and estimates on a reasonable basis;
  - state whether applicable accounting standards as set out in the FReM have been followed and disclose and explain any material departures in the accounts; and
  - prepare the accounts on a going concern basis.
- 5 Under Section 133(2) of the Government of Wales Act 2006 the Treasury are 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 that Paul Williams will be the Accounting Officer on behalf of HCW for the purpose of signing the 2009-10 accounts.
- 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 ON INTERNAL CONTROL 2009-10**

### **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.

To ensure that I obtain the necessary assurance with regard to my responsibilities I have established the following assurance and accountability arrangements:

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

During the year I have also set up an Operations Group comprised of senior officials tasked with helping to run Welsh Assembly Government's internal business more efficiently. A Finance Network has also been set up and introduced a fortnightly meeting of the Finance Heads of Division and the Heads of Finance for the Director General portfolios. The group provides a mechanism for greater co-ordination and collaboration of business planning and budgetary control.

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

All Directors General are supported by their own corporate governance committees, chaired by a Non-Executive Director, which monitor and review the risk, control and governance processes that have been established in the department and the associated assurance processes. There are mechanisms in place which ensure effective communication between departmental corporate governance committees and the Welsh Assembly Government's overarching corporate governance committee. These arrangements include frequent interaction and reporting between the committee chairs.

The Welsh Assembly Government delivers its aims and objectives in partnership with its agency, Assembly Government Sponsored Bodies and other public bodies. Accounting Officers appointed to the Welsh Assembly Government's agency and sponsored public bodies are responsible for their organisation's system of internal control and are required to sign a statement on internal control

which is reproduced in the body's annual accounts. Their relationship with the Welsh Assembly Government is defined in the respective framework document in place with each body. The Accounting Officers of these bodies participate in training sessions arranged by the Welsh Assembly Government, and I meet with them and their Chairs on a regular basis.

A review of the governance arrangements for our sponsorship of Assembly Government Sponsored Bodies has been undertaken. This is designed to strike a balance between allowing them to operate independently on a day-to-day basis whilst ensuring that appropriate controls are in place to ensure that funding is well managed. Greater focus is being given to performance monitoring to ensure that these bodies are achieving their objectives on a cost effective basis. A set of governing principles has been agreed and will be reflected in revised framework documents with each body.

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 2010 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

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

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

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

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

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

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

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

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

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

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

- awareness raising through delivery of a training module to all staff, which has been developed with Eliesha, our training provider;
- development of a suite of policy skills and knowledge training course;
- continuation and expansion of a community of practice for programme and project management experiences and good practice to be exchanged;
- training for programme and project managers and other staff who have an involvement in the management of risk;
- development of common project management tools, standards, templates and guidelines;
- raising awareness of risk management with Welsh Ministers;
- linking risk to the Welsh Assembly Government's Operational Plan and ultimately to *One Wales*;
- 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.

To review the control environment I require Directors General/Directors 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.

#### **5. Developments to Improve the Control Framework.**

This is the second year of the introduction of my 'Enabling Government Framework' setting out how we develop as an effective and efficient organisation focussing on the outcomes under Delivering Results, Valuing People and Achieving Excellence. The Enabling Government portfolio includes a range of programmes being taken forward such as IDEAS, Managing for Delivery, Knowledge Management Programme, Dashboards and new Business Planning and Purchasing systems. Further details on these developments are included in my Management Commentary.



My Directors General/Directors and I are fully supporting the IDEAS programme. This is a business improvement programme, enabling real business change and offering better informed decision making, reducing cost through smarter procurement and improved financial management; and creating a more efficient and effective organisation by ensuring that resources can be used and directed to best effect.

Where procurements with a total value exceeding £25,000 were undertaken there was an initial Procurement Strategy Risk Assessment with Corporate Procurement Services, and OGC Gateway Reviews were undertaken as required.

Major capital projects are managed through approved programme and project management methodology, e.g. Managing Successful Programmes (MSP) and 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 Healthcare Reforms Programme was established to manage the proposed changes to the NHS in Wales and the Department for Health and Social Services and was similarly managed. The changes were publicised in an initial consultation document released on 2<sup>nd</sup> April 2008 “Proposals to Change the Structure of the NHS in Wales”. The response to the original consultation paper enabled the proposals to be further refined and tested through a subsequent consultation released on 2<sup>nd</sup> December 2008 “Delivering the new NHS for Wales”.

The programme structure was developed using the “Managing Successful Programmes” methodology to support the delivery of the agreed changes. A firm set of arrangements were put in place towards the end of 2008, shaped by the final conclusions arising from the consultation and from the first OGC Gateway review. The first six months of the period covered by this Statement on Internal Control was crucial in delivering the key programme milestone of 1<sup>st</sup> October 2009, when seven Local Health Boards and the Public Health Wales NHS Trust (PHW) became fully operational. The programme arrangements also delivered a period of shadow running from 1st June 2009 to enable the appropriate governance and financial structures to be established ahead of the operational date.

The Welsh Assembly Government plays an important role in emergencies in or affecting Wales. The Pan-Wales Response Plan sets out the arrangements for the pan-Wales level integration of the Welsh response to an emergency in or affecting Wales. The Emergency Co-ordination Centre (Wales) is a facility established by the Welsh Assembly Government to gather and disseminate information in Wales on developing emergencies. It supports the Wales Civil Contingencies Committee and Welsh Ministers in providing briefing and advice on emergencies. The Emergency Co-ordination Centre (Wales) links to the four Local Resilience Forums, based on Police Force areas, in Wales to UK Government Departments and the other Devolved administrations.

The Welsh Assembly Government Communications Division acts as a link between the local media and community relations lead, and, the United Kingdom government’s News Co-ordination Centre and UK Government Department media teams where appropriate.

I have appointed a Head of Counter Fraud to our new anti-fraud function. The appointment will greatly improve our capacity to deal with issues in this area and fills an acknowledged gap in the Welsh Assembly Government’s system of assurance. This is particularly salient in view of increased workload we have encountered in relation to special investigations during the year.

There are a significant number of further ongoing developments which are designed to strengthen the control framework. These include providing Finance Skills training, updating of the delegations framework, updating guidance and securing better co-ordination of investment appraisal. Progress on these developments is a priority for 2010-11.

## **6. Review of Effectiveness**

As Principal Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. I take assurance from a wide spectrum of activities and my review of the effectiveness of the system of internal control is informed by the work of the internal auditors; and the executive managers within the Welsh Assembly Government who have responsibility for the development and maintenance of the internal control framework, and for acting on comments made by the external auditors in their management letter and other reports. I have been advised of the implications of the result of my review of the effectiveness of the system of internal control by the Strategic Delivery and Performance 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 Service, which submits regular reports to the Corporate Governance Committee, including the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control.

Internal Audit Service continues to co-ordinate their work with that of Wales Audit Office. Co-ordination of audit plans has progressed significantly this year with planned assignments and special investigations being successfully undertaken. An updated joint working protocol has been agreed to underpin the approach taken and quarterly liaison meetings are held to share information and agree joint assignments.

The opinion of the Head of Internal Audit, set out in his annual assurance report, is that the Welsh Assembly Government has a sound framework of control which provides substantial assurance regarding the effective and efficient achievement of its objectives.

The Corporate Governance Committee arrangements have developed significantly over the last year following the introduction of the new Assembly Government structure. A greater degree of independent input has been secured in all of the Committees. All parts of the new Assembly Government structure are also covered by a Departmental Corporate Governance Committee. All Corporate Governance Committees have met regularly to advise the Accounting Officer and Directors General throughout the year. I am satisfied that these committees are now operating in an appropriate manner and provide good support to Directors General.

Based on my review of internal controls and all other information available to me, I am satisfied, subject to the issues raised in the following 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.

During 2009-10, the focus of our risk management was the worsening economic downturn and budget planning in preparation for tighter future budgets. These risks scored consistently high in the Corporate Risk Register. These activities are on-going and are being managed through a range of policy and delivery actions to ensure that all risks are properly identified and minimised.

## **7. Information Governance**

As Principal Accounting Officer I am responsible for ensuring that appropriate arrangements are in place to comply with the core set of mandatory minimum measures to protect information in Government Departments, which require me to assess our risk and ensure appropriate mitigation strategies are in place. Key elements of these measures include the need for departments to establish a baseline of information assets, from which a more robust monitoring regime can be established, and the extent to which information security risk features within departmental risk management plans and processes.

Departments have made good progress in these areas helped during the year by such initiatives as the implementation of a corporate asset register to allow consistency of approach and the formal definition by my Senior Information Risk Owner of the Assembly Government's Information Risk Appetite which has set control measures in context and provided standard advice to staff when assessing and managing information risk. To ensure this momentum is maintained my Internal Audit Service have scheduled a number of information assurance reviews during 2010-2011.

## **8. Significant Internal Control issues**

Last year I reported on some specific internal control issues in my Statement on Internal Control. The following sets out progress made in these areas:

- Substantial progress has been made during the year in addressing the recommendations contained in internal reports concerning the Department for Economy and Transport. In the case of the review of Technium Centres, there are no fundamental recommendations outstanding.
- The implementation of internal audit recommendations has improved this year with activity on follow-up being reported to each Corporate Governance Committee. In addition, I have regular discussions with each Director General on the actions being taken to ensure satisfactory implementation of these recommendations.
- Work has continued on the development of an effective and sustainable framework for the future management of grants under the IDEAS programme. A grants centre of excellence team is being established to progress work on the corporate processes and procedures. This will reduce the risks associated with claimants receiving different funding across the organisation.

The significant internal control issues identified by my 2009-10 review are:

- Following concerns raised in the media, I commissioned an independent audit of travel and subsistence claims within International Business Wales. Overall, financial controls were seen to be working reasonably well but some specific issues relating to individual members of staff are being followed up within our disciplinary procedures. I also set up work-streams to review processes and controls. These have now reported and work to further improve our procedures on travel and subsistence generally is being taken forward.
- A joint Wales Audit Office and Welsh Assembly Government internal audit review into Plas Madoc Communities First partnership identified serious weaknesses in the financial control and governance of the partnership. Firm action was taken to safeguard public funds while

investigations were completed and matters raised in the report referred to North Wales Police for consideration. Weaknesses identified in Welsh Assembly Government processes are being addressed through a wider governance review. As part of this process a risk assessment exercise has taken place and a programme of visits has been undertaken to those partnerships demonstrating the highest level of risk. These visits have been completed and have confirmed that the weaknesses found at Plas Madoc do not exist within the organisations selected as part of the further work undertaken.

- An increase in the volume of special investigations of potential or alleged frauds. My newly appointed Head of Counter-fraud provides me with a resource and expertise for fraud prevention, detection and investigation.
- This year there has been a much greater emphasis on thematic audit work undertaken across Welsh Assembly Government. I believe that the refocus of the internal audit strategy on these high level cross-cutting systems has exposed weaknesses at a corporate level, which cannot be addressed by Departments in isolation. I will be closely monitoring the actions taken to address these weaknesses this year.

I am satisfied that risks are generally well managed and that our internal controls are improving significantly and, where there are weaknesses, action is in place to tackle them.

**Dame Gillian Morgan**  
**Permanent Secretary and Principal Accounting Officer**  
**23 August 2010**

## **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 2010 under Section 131 of that Act. These comprise the Summary of Resource Outturn, the Operating Cost Statement, the Statement of Financial Position, the Statement of Cash Flow, the Statement of changes in Taxpayers’ Equity and the Statement of Operating Costs by Welsh Assembly Government Aims and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that Report as having been audited.

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

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

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

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

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

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

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

## **Basis of audit opinion**

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

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

## **Opinions**

In my opinion:

- the consolidated financial statements give a true and fair view, in accordance with the Government of Wales Act 2006 and directions made there under by HM Treasury, of the state of affairs of the Welsh Assembly Government's and the group's affairs as at 31 March 2010 and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, statement of taxpayer's equity, 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.

Gillian Body  
Auditor General for Wales  
26 August 2010

24 Cathedral Road  
Cardiff  
CF11 9LJ

**Welsh Assembly Government  
Summary of Resource Outturn  
For the year ended 31 March 2010**

	<b>Budget 2009-10</b>	<b>Outturn 2009-10</b>	<b>Outturn compared with Budget</b>	<b>Outturn 2008-09</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>PROGRAMME RESOURCES</b>				
	<b>Net expenditure</b>	<b>Net expenditure</b>	<b>Variance</b>	<b>Net expenditure</b>
Health and Social Services	5,214,572	5,160,254	54,318	4,762,759
Social Justice & Local Government	3,495,623	3,478,445	17,178	3,367,139
Environment, Sustainability & Housing	689,513	675,625	13,888	713,748
Economy and Transport	1,681,344	1,531,094	150,250	1,617,077
Children, Education, Lifelong Learning & Skills	2,129,140	2,120,865	8,275	1,917,759
Rural Affairs	142,063	137,076	4,987	124,272
Heritage	154,667	154,534	133	142,880
Public Services and Performance	54,600	48,930	5,670	56,209
Central Administration	437,827	424,582	13,245	360,869
<b>Total Resource and Capital requirements</b>	<b>13,999,349</b>	<b>13,731,405</b>	267,944	13,062,712

**Explanation of Major Variances**

£000

<b>Health and Social Services</b> – £44m reduction in PDC dividends, £4m under-spend on Other Adult Social Care, £1m on Children and Youth Justice Services, £1m on Mental Health, £1m on Workforce Development and £1m on Better Access.	54,318
<b>Social Justice &amp; Local Government</b> – £7m under-spend for Business Rates Relief (with reimbursement to HMT for costs of scheme in 2008-09), and under-spend on the Communities First programme.	17,178
<b>Environment, Sustainability &amp; housing</b> – budget cover for a Housing stock transfer was not utilised as the transfer was delayed to 2010-11.	13,888
<b>Economy and Transport</b> – under-spend of £71m for non-cash depreciation and impairments and reduced cost of capital non-cash of £72m regarding roads and property valuations.	150,250
<b>Central Administration</b> – unused budget provision for the Welsh Assembly Government estate, under-spends on staff costs due to recruitment freeze, savings on Location strategy, and lower than anticipated take up on Invest to Save and Match funding grants.	13,245
Other departments	19,065
<b>Total</b>	<b>267,944</b>

**Welsh Assembly Government  
Net Cash Requirement 2009-10**

	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
Authorised for issue from Welsh Consolidated Fund	<b>13,066,587</b>	12,246,560
Funding drawn down	<b>12,872,057</b>	12,200,788
<b>Undrawn funding</b>	<b>194,530</b>	45,772

The Notes on pages 49 to 103 form part of these accounts.

**Consolidated Operating Cost Statement  
For the year ended 31 March 2010**

		Year ended 31 March 2010		Restated Year ended 31 March 2009	
		WAG £000	Consolidated £000	WAG £000	Consolidated £000
<b>PROGRAMME COSTS</b>	Note				
Expenditure	6	<b>14,484,370</b>	<b>15,058,708</b>	13,950,619	14,513,055
Income					
Non EU Income	8	<b>(1,131,584)</b>	<b>(1,723,653)</b>	(1,230,017)	(1,866,243)
EU Income	8	<b>(532,827)</b>	<b>(558,252)</b>	(508,121)	(509,341)
		<b>(1,664,411)</b>	<b>(2,281,905)</b>	(1,738,138)	(2,375,584)
<b>Net Programme Costs</b>		<b>12,819,959</b>	<b>12,776,803</b>	12,212,481	12,137,471
<b>ADMINISTRATION COSTS</b>	Note				
Staff Costs	4	<b>253,551</b>	<b>260,919</b>	240,070	246,690
Other Administration Costs	5	<b>133,385</b>	<b>139,363</b>	106,293	110,530
<b>Gross Administration Costs</b>		<b>386,936</b>	<b>400,282</b>	346,363	357,220
Administration Income	8	<b>(6,388)</b>	<b>(5,943)</b>	(4,732)	(4,289)
<b>Net Administration Cost</b>		<b>380,548</b>	<b>394,339</b>	341,631	352,931
Corporation tax		-	-	-	-
<b>NET OPERATING COST</b>		<b>13,200,507</b>	<b>13,171,142</b>	12,554,112	12,490,402

The Notes on pages 49 to 103 form part of these accounts.



## Consolidated Statement of Financial Position as at 31 March 2010

		As at 31 March 2010 WAG	As at 31 March 2010 Consolidated	Restated As at 31 March 2009 WAG	Restated As at 31 March 2009 Consolidated	As at 1 April 2008 WAG	As at 1 April 2008 Consolidated
	Note	£000	£000	£000	£000	£000	£000
<b>Non-current assets:</b>							
Property, plant and equipment	9	12,210,038	14,826,740	12,160,532	14,791,702	11,765,392	14,320,584
Intangible Assets	10	6,253	20,649	3,846	17,499	2,391	10,946
Financial assets	11	1,575,344	1,533,151	1,362,683	1,335,862	1,222,111	1,198,416
Trade and other receivables	15	-	39,218	21,801	56,537	-	26,532
<b>Total non current assets</b>		<b>13,791,635</b>	<b>16,419,758</b>	13,548,862	16,201,600	12,989,894	15,556,478
<b>Current Assets:</b>							
Assets classified as held for sale	9.1	-	5,345	-	5,153	-	687
Development Asset	13	173,454	181,124	188,394	188,394	293,222	293,222
Inventories	14	39,395	85,900	25,040	66,167	13,789	51,419
Trade and other receivables	15	207,508	303,966	250,018	344,432	284,119	374,369
Other Financial assets	11	-	25	-	25	-	15,721
Cash & cash equivalents	16	65,879	238,186	115,089	191,320	151,819	262,257
<b>Total current assets</b>		<b>486,236</b>	<b>814,546</b>	578,541	795,491	742,949	997,675
<b>Total assets</b>		<b>14,277,871</b>	<b>17,234,304</b>	14,127,403	16,997,091	13,732,843	16,554,153
<b>Current liabilities:</b>							
Trade and other payables	17	(577,875)	(1,139,967)	(542,197)	(1,055,291)	(557,276)	(1,028,846)
Other liabilities	19	-	(7,874)	-	(4,121)	-	(24,776)
<b>Total current liabilities</b>		<b>(577,875)</b>	<b>(1,147,841)</b>	(542,197)	(1,059,412)	(557,276)	(1,053,622)
<b>Non-current assets plus/less net current assets/liabilities</b>		<b>13,699,996</b>	<b>16,086,463</b>	13,585,206	15,937,679	13,175,567	15,500,531
<b>Non-current liabilities</b>							
Provisions	18	(398,993)	(482,408)	(291,615)	(375,425)	(277,623)	(375,285)
Other payables	17	(175,102)	(266,846)	(183,962)	(281,188)	(190,913)	(290,867)
Pension fund deficits	36b	(84,640)	(87,631)	(72,330)	(74,162)	(42,460)	(42,741)
National Loans Fund	26	(11,749)	(11,749)	(11,782)	(11,782)	(11,812)	(11,812)
Other liabilities	19	-	(94,418)	-	(30,336)	-	(40,506)
<b>Total non current liabilities</b>		<b>(670,484)</b>	<b>(943,052)</b>	(559,689)	(772,893)	(522,808)	(761,211)
<b>Assets less liabilities</b>		<b>13,029,512</b>	<b>15,143,411</b>	13,025,517	15,164,786	12,652,759	14,739,320

**Consolidated Statement of Financial Position as at 31 March 2010 continued**

	<b>As at 31 March 2010</b>	<b>As at 31 March 2010</b>	Restated As at 31 March 2009	Restated As at 31 March 2009	As at 1 April 2008	As at 1 April 2008
	<b>WAG</b>	<b>Consolidated</b>	WAG	Consolidated	WAG	Consolidated
	<b>£000</b>	<b>£000</b>	£000	£000	£000	£000
<b>Taxpayers' Equity</b>						
General Fund	<b>7,940,758</b>	<b>9,622,569</b>	7,903,177	9,471,284	7,907,822	9,413,637
Revaluation Reserve	<b>5,158,309</b>	<b>5,551,782</b>	5,178,429	5,711,588	4,775,075	5,314,980
EU Deferred Grant	<b>15,085</b>	<b>15,085</b>	16,241	16,241	12,322	12,322
Pension Fund	<b>(84,640)</b>	<b>(87,631)</b>	(72,330)	(74,162)	(42,460)	(42,741)
Donated Asset reserve	-	<b>41,606</b>	-	39,835	-	41,122
<b>Total taxpayer's equity</b>	<b>13,029,512</b>	<b>15,143,411</b>	13,025,517	15,164,786	12,652,759	14,739,320

**Dame Gillian Morgan**  
**Permanent Secretary and Principal Accounting Officer**

**Date: 23 August 2010**

The Notes on pages 49 to 103 form part of these accounts.

**Consolidated Statement of Cash Flow  
for the year ended 31 March 2010**

	Note	Year ended 31 March 2010		Restated Year ended 31 March 2009	
		WAG	Consolidated	WAG	Consolidated
<b>Cash flows from operating activities</b>		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Net operating cost		(13,200,507)	(13,171,142)	(12,554,112)	(12,490,402)
Provisions utilised	18	(35,605)	(97,606)	(22,209)	(79,306)
Student loans provision		(74,605)	(74,605)	(16,168)	(16,168)
Non – cash transactions:					
Administrative costs	5	25,689	24,284	6,862	6,485
Programme costs	6	789,620	1,182,406	851,850	1,091,827
Notional recharges to HCW		(468)	-	(456)	-
Opening cr/dr adjustments		-	-	(1,908)	(1,742)
Income payable to Welsh Consolidated Fund		(49,898)	(49,898)	(20,373)	(20,373)
Movements in working capital other than cash	12	73,570	101,354	(28,461)	(23,994)
<b>Net cash outflow from operating activities</b>		<b>(12,472,204)</b>	<b>(12,085,207)</b>	<b>(11,784,975)</b>	<b>(11,533,673)</b>
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(110,290)	(469,828)	(126,311)	(393,976)
Purchase of intangible assets		(3,360)	(9,486)	(2,394)	(9,703)
Proceeds of disposal of property, plant and equipment		3,231	6,274	1,018	2,967
Proceeds of disposal of development assets		7,117	7,117	28,602	28,602
Proceeds of disposal of intangible assets		-	184	-	-
Purchase of development assets		(32,064)	(39,734)	(33,629)	(33,629)
Issue of loans		(374,338)	(363,590)	(449,537)	(454,176)
Movement in bank loan		-	67,173	-	(8,420)
Repayment of loans		58,204	59,469	112,572	113,149
<b>Net cash outflow from investing activities</b>		<b>(451,500)</b>	<b>(742,421)</b>	<b>(469,679)</b>	<b>(755,186)</b>
<b>Cash flows from financing activities</b>					
From Welsh Consolidated Fund (Supply) – current year		12,872,057	12,872,057	12,200,788	12,200,788
Financing via Welsh Assembly Government		-	-	-	(2)
EU Deferral		-	-	4,774	4,774
Non operating receipts surrendered to Welsh Consolidated Fund		2,437	2,437	12,362	12,362
<b>Net financing</b>		<b>12,874,494</b>	<b>12,874,494</b>	<b>12,217,924</b>	<b>12,217,922</b>
<b>Net increase/(decrease) in cash and cash equivalent in period</b>	16	<b>(49,210)</b>	<b>46,866</b>	<b>(36,730)</b>	<b>(70,937)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	16	<b>115,089</b>	<b>191,320</b>	<b>151,819</b>	<b>262,257</b>
<b>Cash and cash equivalents at the end of the period</b>	16	<b>65,879</b>	<b>238,186</b>	<b>115,089</b>	<b>191,320</b>

The Notes on pages 49 to 103 form part of these accounts.

**Consolidated Statement of changes in Taxpayers' Equity  
For the year ended 31 March 2010**

**Consolidated**

	<b>General Fund</b>	<b>European Deferred Grant Reserve</b>	<b>Revaluation Reserve</b>	<b>Pension Fund Reserve</b>	<b>Donated Asset Reserve</b>	<b>Total Reserves</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Balance at 31 March 2008</b>	10,798,769	12,322	5,446,074	(42,741)	41,122	16,255,546
Changes in accounting policy	(1,385,132)	-	(131,094)	-	-	(1,516,226)
<b>Restated balance at 1 April 2008</b>	<b>9,413,637</b>	<b>12,322</b>	<b>5,314,980</b>	<b>(42,741)</b>	<b>41,122</b>	<b>14,739,320</b>
<b>Changes in taxpayers' equity for 2008-09</b>						
Net gain/(loss) on revaluation of property, plant and equipment	(790)	-	425,082	-	705	424,997
EU Deferred Grant addition	-	4,774	-	-	-	4,774
Release of reserves to the operating cost statement	(707)	(855)	(7,728)	-	(5,342)	(14,632)
Creditors/debtors adjustment	(1,742)	-	-	-	-	(1,742)
Losses arising in year	(203)	-	-	-	-	(203)
In year additions	185	-	-	-	3,351	3,536
Roads: de-trunked to local authority	(26,923)	-	-	-	-	(26,923)
Fire and Rescue fixed assets transfers	148	-	-	-	-	148
PDC Investment net re-issue	(107,214)	-	-	-	-	(107,214)
Student loan adjustment	7,927	-	-	-	-	7,927
Non-cash charges – cost of capital	490,267	-	-	-	-	490,267
CFER income	(793)	-	-	-	-	(793)
Transfers between reserves	20,018	-	(20,017)	-	(1)	-
Movement in other reserves	81	-	-	-	-	81
Transfers within boundary	2,823	-	-	-	-	2,823
Impairments and reversals	-	-	(729)	-	-	(729)
Actuarial loss on pension scheme	(1,580)	-	-	-	-	(1,580)
In year pension movement	(2,539)	-	-	(31,421)	-	(33,960)
Net operating cost for the year	<b>(12,490,402)</b>	-	-	-	-	<b>(12,490,402)</b>
<b>Total recognised income and expense for 2008-09</b>	<b>(12,111,444)</b>	<b>3,919</b>	<b>396,608</b>	<b>(31,421)</b>	<b>(1,287)</b>	<b>(11,743,625)</b>
Welsh Consolidated fund drawn down	12,200,788	-	-	-	-	12,200,788
Welsh Consolidated fund deemed	(31,695)	-	-	-	-	(31,695)
WAG funding	(2)	-	-	-	-	(2)
<b>Balance at 31 March 2009</b>	<b>9,471,284</b>	<b>16,241</b>	<b>5,711,588</b>	<b>(74,162)</b>	<b>39,835</b>	<b>15,164,786</b>

## Consolidated Statement of changes in Taxpayers' Equity continued

Consolidated	General Fund	European Deferred Grant Reserve	Revaluation Reserve	Pension Fund Reserve	Donated Asset Reserve	Total Reserves
	£000	£000	£000	£000	£000	£000
<b>Changes in taxpayers' equity for 2009-10</b>						
Net gain/(loss) on revaluation of property, plant and equipment	-	-	(105,454)	-	4,281	(101,173)
Release of reserves to the operating cost statement	114	(1,156)	-	-	(4,476)	(5,518)
Net gain/(loss) on revaluation of investments	(544)	-	-	-	-	(544)
Net gain/loss on government asset reserve	9	-	-	-	-	9
In year additions	380	-	-	-	2,485	2,865
PDC investment	(69,108)	-	-	-	-	(69,108)
Student Loans non cash element	(21,890)	-	-	-	-	(21,890)
Student Loans Inflation adjustment	64,330	-	-	-	-	64,330
Non-cash charges – cost of capital	469,587	-	-	-	-	469,587
Impairment and renewals	-	-	-	-	(580)	(580)
	(132)	-	-	-	-	(132)
CFER income						
Loan repayments payable to Consolidated Fund	(108)	-	-	-	-	(108)
Transfers of assets	(292)	-	-	-	-	(292)
Transfers between reserves	54,291	-	(54,352)	-	61	-
Movement between reserves	4	-	-	-	-	4
Transfers within boundary	(11)	-	-	-	-	(11)
Remove Modified Historic Cost Accounting	539	-	-	-	-	539
In year pension movement	2,859	-	-	(13,469)	-	(10,610)
Net operating cost for the year	(13,171,142)	-	-	-	-	(13,171,142)
<b>Total recognised income and expense for 2009-10</b>	<b>(12,671,114)</b>	<b>(1,156)</b>	<b>(159,806)</b>	<b>(13,469)</b>	<b>1,771</b>	<b>(12,843,774)</b>
Welsh Consolidated fund – drawn down	12,872,057	-	-	-	-	12,872,057
Welsh Consolidated fund – deemed	(49,658)	-	-	-	-	(49,658)
Balance at 31 March 2010	<b>9,622,569</b>	<b>15,085</b>	<b>5,551,782</b>	<b>(87,631)</b>	<b>41,606</b>	<b>15,143,411</b>

## Consolidated Statement of changes in Taxpayers' Equity continued

WAG only

	General Fund	European Deferred Grant Reserve	Revaluation Reserve	Pension Fund Reserve	Donated Asset Reserve	Total Reserves
	£000	£000	£000	£000	£000	£000
<b>Balance at 31 March 2008</b>	9,485,828	12,322	4,732,434	(42,460)	-	14,188,124
Changes in accounting policy	(1,578,006)	-	42,641	-	-	(1,535,365)
<b>Restated balance at 1 April 2008</b>	<b>7,907,822</b>	<b>12,322</b>	<b>4,775,075</b>	<b>(42,460)</b>	<b>-</b>	<b>12,652,759</b>
<b>Changes in taxpayers' equity for 2008-09</b>						
Net gain/(loss) on revaluation of property, plant and equipment	-	-	430,110	-	-	430,110
EU Deferred Grant addition	-	4,774	-	-	-	4,774
Release of reserves to the operating cost statement	-	(855)	(7,719)	-	-	(8,574)
Creditors/debtors adjustment	(1,908)	-	-	-	-	(1,908)
Roads: de-trunked to local authority	(26,923)	-	-	-	-	(26,923)
Fire and Rescue fixed assets transfers	148	-	-	-	-	148
PDC Investment net re-issue	(107,214)	-	-	-	-	(107,214)
Student loan adjustment	7,927	-	-	-	-	7,927
Non-cash charges – cost of capital	494,646	-	-	-	-	494,646
Services to HCW	(456)	-	-	-	-	(456)
CFER income	(793)	-	-	-	-	(793)
Transfers between reserves	19,037	-	(19,037)	-	-	-
In year pension movement	(4,090)	-	-	(29,870)	-	(33,960)
Net operating cost for the year	(12,554,112)	-	-	-	-	(12,554,112)
<b>Total recognised income and expense for 2008-09</b>	<b>(12,173,738)</b>	<b>3,919</b>	<b>403,354</b>	<b>(29,870)</b>	<b>-</b>	<b>(11,796,335)</b>
Welsh Consolidated fund drawn down	12,200,788	-	-	-	-	12,200,788
Welsh Consolidated fund deemed	(31,695)	-	-	-	-	(31,695)
<b>Balance at 31 March 2009</b>	<b>7,903,177</b>	<b>16,241</b>	<b>5,178,429</b>	<b>(72,330)</b>	<b>-</b>	<b>13,025,517</b>

## Consolidated Statement of changes in Taxpayers' Equity continued

WAG only	General Fund	European Deferred Grant Reserve	Revaluation Reserve	Pension Fund Reserve	Donated Asset Reserve	Total Reserves
	£000	£000	£000	£000	£000	£000
<b>Changes in taxpayers' equity for 2009-10</b>						
Net gain/(loss) on revaluation of property, plant and equipment	-	-	(18,405)	-	-	(18,405)
Release of reserves to the operating cost statement PDC	-	(1,156)	-	-	-	(1,156)
Student Loans non cash element	(69,108)	-	-	-	-	(69,108)
Student Loans Inflation adjustment	(21,890)	-	-	-	-	(21,890)
Non-cash charges – cost of capital	64,330	-	-	-	-	64,330
Services to HCW	439,983	-	-	-	-	439,983
CFER income	(468)	-	-	-	-	(468)
Loan repayments payable to Consolidated Fund	(132)	-	-	-	-	(132)
Transfers of assets	(108)	-	-	-	-	(108)
Transferred from Revaluation Reserve	(292)	-	-	-	-	(292)
Remove Modified Historic Cost Accounting	135	-	(135)	-	-	-
In year pension movement	539	-	(1,580)	-	-	(1,041)
Net operating cost for the year	2,700	-	-	(12,310)	-	(9,610)
	(13,200,507)	-	-	-	-	(13,200,507)
<b>Total recognised income and expense for 2009-10</b>	<b>(12,784,818)</b>	<b>(1,156)</b>	<b>(20,120)</b>	<b>(12,310)</b>	<b>-</b>	<b>(12,818,404)</b>
Welsh Consolidated fund – drawn down	12,872,057	-	-	-	-	12,872,057
Welsh Consolidated fund – deemed	(49,658)	-	-	-	-	(49,658)
Balance at 31 March 2010	<b>7,940,758</b>	<b>15,085</b>	<b>5,158,309</b>	<b>(84,640)</b>	<b>-</b>	<b>13,029,512</b>

The Notes on pages 49 to 103 form part of these accounts.

**Consolidated Statement of Operating Costs by Welsh Assembly Government Strategic Objectives**  
**For the year ended 31 March 2010**

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

	Year ended 31 March 2010			Year ended 31 March 2009		
	Gross Expenditure £000	Income £000	Net Expenditure £000	Gross Expenditure £000	Income £000	Net Expenditure £000
Objectives:						
▪ Learning for Life	2,072,617	(51,557)	2,021,060	1,898,475	(62,535)	1,835,940
▪ A Healthy Future	6,896,387	(1,614,522)	5,281,865	6,440,898	(1,735,660)	4,705,238
▪ A Prosperous Society	1,478,583	(190,636)	1,287,947	1,670,115	(185,861)	1,484,254
▪ A Fair and Just Society	3,578,721	(3,224)	3,575,497	3,453,285	(2,507)	3,450,778
▪ Living Communities	536,886	(85,906)	450,980	577,447	(93,603)	483,844
▪ A Sustainable Environment	731,591	(336,616)	394,975	679,548	(294,869)	384,679
▪ A Rich and Diverse Culture	164,205	(5,387)	158,818	150,507	(4,838)	145,669
	<b>15,458,990</b>	<b>(2,287,848)</b>	<b>13,171,142</b>	<b>14,870,275</b>	<b>(2,379,873)</b>	<b>12,490,402</b>

Note 30 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 49 to 103 form part of these accounts.



## Notes to the Welsh Assembly Government Resource Accounts

### 1. Statement of accounting policies

These consolidated financial statements have been prepared in accordance with the 2009-10 *Government Financial Reporting Manual (FReM)*. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where FReM permits a choice of accounting policy, the accounting policy which is 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 particular policies adopted by the Welsh Assembly Government (for the reportable activity) are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

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

#### 1.1 Accounting convention

These accounts have been prepared under the historical cost convention, indexed or revalued to take account of the movement in property values where relevant.

#### 1.2 Basis of Consolidation

These accounts comprise a consolidation of the core department, its executive agency, HCW, the 7 Local Health Boards, Design Commission for Wales (a Welsh Assembly Government owned company limited by guarantee), Finance Wales PLC, Welsh Development Management Ltd, International Business Wales Ltd, and Ryder Cup Wales 2010 Ltd. These consolidated companies produce and publish their own annual reports and accounts. Newport Unlimited (a company limited by guarantee in which the Welsh Assembly Government has a two-third share) is not consolidated within these financial statements as the company is financially 'dormant'. Hybu Cig Cymru – Meat Promotion Wales (a company limited by guarantee in which the Welsh Assembly Government is the sole member) has not been consolidated on grounds of materiality. Transactions between entities included in the consolidation are eliminated.

#### 1.3 Property, Plant and Equipment

##### 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 exception is properties of a specialised nature held at depreciated replacement cost. The indices used for 2008-09 were taken from the Investment Property Databank (IPD) UK Annual Index (2009). For 2009-10 a valuation was carried out.

#### Roads and Infrastructure

The Welsh Assembly Government has developed a model to estimate the value of the roads network. The roads network consists of the major trunk roads and associated structures in Wales. The model observes the principles of the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. In determining the gross valuation the Welsh Assembly Government has capitalised the annual cost of maintaining the network. New roads are included in additions when the structural details have been provided by the Agent authority, which may be some time after the road has been opened. For 2008-09 and most of 2009-10, the VAT rate was held at 17.5%, rather than the temporary 15% rate in the model to avoid arbitrary fluctuations.

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

Plant and equipment, information technology, fixtures and fittings, and vehicles are at cost.

#### 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 34 to the consolidated financial statements.

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

### **1.4 Intangible Assets**

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

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

### **1.5 Depreciation**

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

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

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

Lives are in the following ranges:

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

Freehold Land and Assets under construction are not depreciated.

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

### 1.6 Donated Assets

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

### 1.7 Research and Development

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

### 1.8 Works to Properties in Care

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

### 1.9 Investments and Interests in Joint Ventures

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

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

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

Student loans values are shown net of estimated future write-offs in respect of the non-recovery of loans.

### 1.10 Development Assets

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

#### **1.11 Inventories**

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

#### **1.12 Non-current Assets Held for Sale**

Non-current assets are classified as held for sale if their carrying amount will be recovered through sale rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale and should be expected to be completed within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

#### **1.12 Operating Income**

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

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

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

#### **1.13 Administration & Programme expenditure**

The Operating Cost Statement is analysed between administration and programme income and expenditure. Administration costs reflect the cost of running the Welsh Assembly Government and HCW, together with associated operating income. Programme costs reflect all expenditure by the Local Health Boards and non-administration costs, (including payments of grants and other disbursements) by the Welsh Assembly Government and HCW.

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

A charge, reflecting the cost of capital utilised by the Welsh Assembly Government and its related bodies, is included in operating costs. The charge for each item in the financial position statement 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 2009-10 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 receivables;
- amounts owing to the Welsh Consolidated Fund included in payables;
- donated assets and heritage assets; and
- Student Loans where the applicable rate is 2.2%.

### 1.15 Value Added Tax (VAT)

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

### 1.16 Pensions

The majority of present and past employees of the Welsh Assembly Government and HCW are covered by the provisions of the Civil Service Pension Scheme which are described in Note 36a. 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 36b.

Former Wales Tourist Board staff contributed until 1 February 2009 to the British Tourist Boards' Pension Scheme. This is a funded defined benefit scheme based on final pensionable pay. The assets are held by the Pension Scheme under a cash accumulation contract with the Prudential Assurance Company Ltd. From 1 February 2009 the active members became members of PCSPS Premium. Further information is provided in Note 36 and 36c.

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 2009-10 was 14% (2008-09: 14%). These costs are included in Note 6 – Programme costs.

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

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

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

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

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

#### **1.19 Operating leases**

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

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

The Welsh Assembly Government provides grants to sponsored bodies and external organisations. In accordance with the Financial Reporting Manual, matters such as the period covered by the claims, the timing of the submission of the claims and the timing of the payments were taken into consideration when establishing the entitlement to grant and the basis for the creditor and debtor calculations.

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

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

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

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

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

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

The fair value of services received in the year is recorded under the relevant expenditure headings within programme costs.

The PFI assets are recognised as property, plant and equipment, when they come into use. The assets are measured initially at fair value in accordance with the principles of IAS 17. Subsequently the assets are measured at fair value, which is kept up to date in accordance with the principles of IAS 16.

The PFI liability is recognised at the same time as the PFI asset. This is measured at the same amount as the fair value of the PFI assets and is subsequently measured as finance lease in accordance with IAS 17. An annual finance cost is calculated by applying the implicit interest rate in the lease to the operating lease liability for the period and is charged to Income. The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

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

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

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

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

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

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

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

## 1.25 **Provisions**

### **Staff Costs**

The Welsh Assembly Government is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. Ex-chairs of ex-Assembly Sponsored Public Bodies had pension liabilities which transferred from the merger, and are fully provided for.

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

### **NHS and LHB Provisions**

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

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

## 1.26 **Deferred Income**

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

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

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

## 1.28 **Financial Instruments**

See Note 37.



## 2. First-time adoption of IFRS

Welsh Assembly Government	General fund	EU deferred grant	Revaluation reserve	Donated asset reserve	Pension Fund reserve	Total
	£000	£000	£000	£000	£000	£000
<b>Taxpayers' equity at 31 March 2009 under UK GAAP</b>	<b>9,925,639</b>	<b>16,241</b>	<b>5,134,701</b>	<b>-</b>	<b>(72,330)</b>	<b>15,004,251</b>
Adjustments for:						
IAS 2 Inventories	(26,276)	-	--	-	-	(26,276)
IAS 16 Property, plant and equipment	10,698	-	(11,469)	-	-	(771)
IAS 39 Financial Instruments	18,683	-	-	-	-	18,683
IAS 19 Employee benefits	(8,052)	-	-	-	-	(8,052)
PFI on balance sheet	(104,808)	-	55,197	-	-	(49,611)
Net Operating Cost	12,571	-	-	-	-	12,571
<b>Taxpayers' equity at 1 April 2009 under IFRS</b>	<b>9,828,455</b>	<b>16,241</b>	<b>5,178,429</b>	<b>-</b>	<b>(72,330)</b>	<b>14,950,795</b>
Non IFRS adjustment – NHS mergers PDC extinguished	(1,925,278)	-	-	-	-	(1,925,278)
<b>Taxpayers' equity at 1 April 2009 restated</b>	<b>7,903,177</b>	<b>16,241</b>	<b>5,178,429</b>	<b>-</b>	<b>(72,330)</b>	<b>13,025,517</b>
						<b>£000</b>
<b>Net operating cost for 2008-09 under UK GAAP</b>						<b>12,566,683</b>
Adjustments for:						
IAS 2 Inventories transfer						(27,048)
IAS 16 Property, plant and equipment						20,477
IAS 39 Financial Instruments						558
IAS 19 Employee Benefits						(6,558)
PFI on balance sheet						
<b>Net operating cost for 2008-09 under IFRS</b>						<b>12,554,112</b>

## 2. First-time adoption of IFRS continued

Consolidated	General fund	EU deferred grant	Revaluation reserve	Donated asset reserve	Pension Fund reserve	Total
	£000	£000	£000	£000	£000	£000
<b>Taxpayers' equity at 31 March 2009 under UK GAAP</b>	11,574,603	16,241	5,603,935	39,835	(74,162)	17,160,452
Adjustments for:						
IAS 2 Inventories	(26,276)	-	-	-	-	(26,276)
IAS 16 Property, plant and equipment	(15,868)	-	15,097	-	-	(771)
IAS 17 Leases	(848)	-	(1,204)	-	-	(2,052)
IAS 39 Financial Instruments	18,598	-	-	-	-	18,598
IAS 19 Employee benefits	(22,831)	-	-	-	-	(22,831)
PFI on balance sheet	(149,105)	-	96,662	-	-	(52,443)
LHB other	5,718	-	(2,902)	-	-	2,816
Net Operating Cost	12,571	-	-	-	-	12,571
<b>Taxpayers' equity at 1 April 2009 under IFRS</b>	11,396,562	16,241	5,711,588	39,835	(74,162)	17,090,064
Non IFRS adjustment – NHS mergers PDC extinguished	(1,925,278)	-	-	-	-	(1,925,278)
Taxpayers' equity at 1 April 2009 under IFRS	9,471,284	16,241	5,711,588	39,835	(74,162)	15,164,786
<b>Net operating cost for 2008-09 under UK GAAP</b>						<b>12,589,290</b>
Adjustments for:						
IAS 2 Inventories transfer						(27,048)
IAS 16 Property, plant and equipment						14,966
IAS 17 Leases						578
IAS 39 Financial Instruments						20,116
IAS 19 Employee Benefits						3,958
Actuarial pension loss						(1,580)
PFI on balance sheet						(4,203)
NHS merger						(107,217)
LHB other						1,542
<b>Net operating cost for 2008-09 under IFRS</b>						<b>12,490,402</b>

### 3a. Reconciliation of outturn to net operating cost 2009-10

	<b>Outturn 2009-10</b>	<b>Outturn 2008-09</b>
	<b>£000</b>	<b>£000</b>
Net resource outturn	13,731,405	13,062,712
Less Capital, Loans & adjustments	(530,898)	(508,600)
<b>Net operating cost</b>	<b>13,200,507</b>	<b>12,554,112</b>

### 3b. Reconciliation of resources to cash requirement 2009-10

	<b>Budget 2009-10</b>	<b>Outturn 2009-10</b>	<b>Outturn compared with Budget</b>	<b>Outturn 2008-09</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Net resource outturn</b>	<b>13,999,349</b>	<b>13,731,405</b>	268,562	13,062,712
Capital charges	(683,761)	(439,983)	(243,778)	(494,646)
Impairments and depreciation	(96,666)	(97,167)	501	(262,214)
Movements in provisions	(172,665)	(102,770)	(69,895)	(54,694)
Opening debtor/creditors adjustments	-	-	-	114
Movements in working capital	20,330	(73,570)	93,900	38,163
Removal of amounts not part of resource outturn	-	(110,903)	110,903	(56,079)
Other	-	14,255	(14,873)	4,162
<b>Net cash requirement</b>	<b>13,066,587</b>	<b>12,921,267</b>	145,320	12,237,518

#### 4. Staff Numbers and Costs

The average number of whole-time equivalent persons employed (including senior management and special advisers) during the period was 74,889 (2008-09: 74,161).

The breakdown of this figure is as follows:

	Special Advisers	Permanently employed staff	Others	Total
<b>Total</b>	8	73,952	929	<b>74,889</b>
<b>Of which:</b>				
<b>WAG</b>	8	5,906	243	<b>6,157</b>
<b>LHBs</b>	-	67,906	683	<b>68,589</b>
<b>HCW</b>	-	47	3	<b>50</b>
<b>Subsidiaries</b>	-	93	-	<b>93</b>
 Objectives		<b>Total</b>	<b>Permanent staff</b>	<b>Others</b>
▪ Learning for Life		<b>1,013</b>	955	58
▪ A Healthy Future		<b>69,476</b>	68,749	727
▪ A Prosperous Society		<b>1,634</b>	1,601	33
▪ A Fair and Just Society		<b>859</b>	803	56
▪ Living Communities		<b>142</b>	139	3
▪ A Sustainable Environment		<b>1,335</b>	1,299	36
▪ A Rich and Diverse Culture		<b>422</b>	406	16
<b>Subtotal</b>		<b>74,881</b>	<b>73,952</b>	<b>929</b>
▪ Special Advisors		<b>8</b>		
<b>Total</b>		<b>74,889</b>		

The costs of LHB staff included above, are contained within Note 6 - Programme costs.

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

	Permanently employed staff	Special Advisers	*Other Staff	Year ended 31 March 2010 Total	RESTATED Year ended 31 March 2009 Total
	£000	£000	£000	£000	£000
Salaries	208,155	364	17,606	<b>226,125</b>	208,905
Social Security Costs	17,592	74	537	<b>18,203</b>	17,295
Other Pension Costs	38,355	28	806	<b>39,189</b>	37,746
Ex WTB pension	6,470	-	-	<b>6,470</b>	-
<b>Sub Total</b>	<b>270,572</b>	<b>466</b>	<b>18,949</b>	<b>289,987</b>	263,946
Less:					
Recoveries in Respect of Outward Secondments	(2,470)	-	-	<b>(2,470)</b>	(2,354)
Recharged to programme costs	(26,598)	-	-	<b>(26,598)</b>	(14,902)
<b>Total net costs</b>	<b>241,504</b>	<b>466</b>	<b>18,949</b>	<b>260,919</b>	246,690
Of which:					
Core department	<b>248,088</b>	<b>466</b>	<b>4,997</b>	<b>253,551</b>	<b>240,070</b>

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

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

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

Pension information for the three main schemes covering employees is provided in Note 36.

Similar information for Health Commission Wales, Local Health Boards and subsidiary companies is disclosed in their respective accounts.

## 5. Other Administration Costs

	Year ended 31 March 2010		Restated Year ended 31 March 2009	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
Goods and Services	39,122	45,054	30,337	34,465
IT & Telecommunications	34,516	34,519	33,304	33,314
Accommodation	17,684	18,706	18,387	18,437
Rentals under operating leases				
- accommodation	7,550	7,550	7,883	7,883
- hire of vehicles and office equipment	521	521	584	584
Travel, subsistence and hospitality	7,292	7,607	8,276	8,541
Audit Fees	461	572	471	632
Relocation costs*	508	508	390	390
Gain on exchange rate	42	42	(201)	(201)
	<b>107,696</b>	<b>115,079</b>	99,431	104,045
Non Cash Items:				
Depreciation	8,724	8,768	8,248	8,288
Amortisation	2,043	2,043	2,206	2,206
Cost of capital charge	(1,724)	(2,217)	374	(202)
Surplus/(deficit) on revaluation	-	-	(118)	70
Impairment property, plant and equipment	11,752	11,752	-	-
(Gain)/loss on disposal of fixed assets	619	619	(18)	(18)
Gain on sale of equity investments	-	(636)	-	-
Gain from fair value of investments	-	(480)	-	-
Provision for early retirement and pension costs	1,575	1,575	260	260
Pension finance*	2,700	2,860	(4,090)	(4,119)
	<b>25,689</b>	<b>24,284</b>	6,862	6,485
<b>Total Other Administration Costs</b>	<b>133,385</b>	<b>139,363</b>	106,293	110,530

\* these costs are subject to UK taxation

## 6. Programme Costs

	Year ended 31 March 2010		Restated Year ended 31 March 2009	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
<u>Programme expenditure:</u>				
Health and Social Services (a)	5,944,148	6,206,978	5,657,157	5,977,303
Social Justice and Local Government	3,480,335	3,480,335	3,368,033	3,368,033
Children, Education, Lifelong Learning and Skills	1,819,278	1,819,278	1,701,970	1,701,970
Environment, Sustainability & Housing	764,624	764,360	807,159	806,868
Environment, Sustainability & Housing rentals under operating leases	-	-	4	4
Economy and Transport (b)	986,633	898,728	941,195	939,183
Economy and Transport rentals under operating leases	4,592	4,592	2,739	2,739
Economy and Transport - PFI service charges	10,096	10,096	12,087	12,087
Rural Affairs	470,040	470,040	418,811	418,811
Heritage	159,655	159,655	146,151	146,151
Public Services & Performance	32,578	32,578	40,870	40,870
Central grants	22,772	22,772	2,593	2,593
LHB Audit Fee	-	6,890	-	4,616
	<b>13,694,751</b>	<b>13,876,302</b>	13,098,769	13,421,228
<u>Non-Cash Costs:</u>				
Cost of Capital	441,707	471,804	494,272	490,469
Depreciation	6,108	137,589	80,794	218,395
Amortisation	-	5,372	-	3,592
Release from government grant reserve	-	(2)	-	(707)
Released from Donated Asset Reserve	-	(4,476)	-	(5,342)
Impairment and write-off of property, plant and equipment	10,549	162,701	30,387	83,529
Impairment development assets	40,907	40,907	117,073	117,073
Impairment investments	17,085	17,085	17,909	17,909
Profit on disposal of development inventories	(1,021)	(1,021)	(7,219)	(7,219)
(Profit)/loss on disposal of property, plant and equipment	(295)	(433)	189	398
Loss on sale of investments	-	-	-	(6)
Investment diminution Finance Wales	-	15,529	-	10,492
Student loans non cash charges	64,330	64,330	26,489	26,489
Student Loans write-down charge	69,997	69,997	56,871	56,871
Increase/ (Decrease) in Provisions	141,408	203,014	35,940	79,185
LHB other finance costs	-	1,458	-	1,846
Release of PFI deferred credits	-	(292)	-	(292)
Release of EU Grant	(1,156)	(1,156)	(855)	(855)
	<b>789,619</b>	<b>1,182,406</b>	851,850	1,091,827
	<b>14,484,370</b>	<b>15,058,708</b>	13,950,619	14,513,055

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

b. Includes £95,189,000 (2008-09: £55,526,000) classed as capital maintenance depreciation

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

The amount payable to the Auditor General for placing an opinion on the consolidated financial statements of the Welsh Assembly Government for 2009-10 is £460,500 (2008-09: £471,261) and has been included in the audit fees disclosed at Note 5.

## 8. Operating Income

	Year ended 31 March 2010		Year ended 31 March 2009	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
<b>Programme Income</b>				
Non-EU Income:				
Health and Social Services	1,004,184	1,611,891	1,104,945	1,725,988
Economy and Transport	20,984	4,025	16,896	22,212
Environment, Sustainability & Housing	85,710	85,762	93,415	93,431
Rural Affairs	4,019	4,019	-	-
Heritage	5,270	5,270	4,789	4,789
Children, Education, Lifelong Learning and Skills	10,804	10,804	8,105	8,105
Interest receivable	-	1,255	-	9,851
Other programme income	472	486	1,074	1,074
	<b>1,131,443</b>	<b>1,723,512</b>	1,229,224	1,865,450
<b>Income outside the supply process</b>				
Consolidated Fund Extra Receipts	141	141	793	793
	<b>1,131,584</b>	<b>1,723,653</b>	1,230,017	1,866,243
EU Income:				
Common Agricultural Policy	321,347	321,347	291,504	291,504
European Structural Funds Programmes	211,480	236,905	216,617	217,837
	<b>532,827</b>	<b>558,252</b>	508,121	509,341
	<b>1,664,411</b>	<b>2,281,905</b>	1,738,138	2,375,584
<b>Administration Income</b>				
ICT recharges	3,696	3,696	2,343	2,343
Fees & charges	2,224	2,247	1,933	1,946
Notional charge to HCW	468	-	456	-
	<b>6,388</b>	<b>5,943</b>	4,732	4,289
	<b>1,670,799</b>	<b>2,287,848</b>	1,742,870	2,379,873



## 9. Property, plant and equipment

	Roads & Infrastructure	Land	Buildings excluding Dwellings	Dwellings	Vehicles	Information Technology	Plant & Equipment	Fixtures & Fittings	Payments on Account & Assets under Construction	Total
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2009	13,346,529	522,301	1,962,601	63,950	7,413	116,830	448,076	24,957	777,123	17,269,780
Additions – donated	-	-	222	-	122	40	2,406	6	1,462	4,258
Additions	-	5,513	26,257	41	589	17,155	29,432	7,359	376,580	462,926
Additions - government granted	-	-	30	-	-	87	-	22	122	261
Transfers	(412)	36	(1,280)	330	(252)	-	302	-	(50)	(1,326)
Disposals/write-offs	-	(327)	(3,736)	-	(529)	(10,664)	(26,585)	(921)	-	(42,762)
Impairments	(222)	(75,890)	(153,792)	(4,089)	-	**3,565	(167)	(4,217)	(14,035)	(248,847)
Revaluation/Indexation	(19,334)	(23,330)	(35,828)	711	116	1	6,815	(477)	(20)	(71,346)
Other LHB revaluation	-	(9,742)	(41,378)	(2,686)	-	(59)	(569)	(15)	-	(54,449)
Reclassified to held for sale	-	(3,299)	(836)	(1,289)	-	-	-	-	-	(5,424)
Reclassification	368,873	1,677	170,705	(1,144)	(1)	6,661	1,224	(174)	(550,623)	*(2,802)
<b>At 31 March 2010</b>	<b>13,695,434</b>	<b>416,939</b>	<b>1,922,965</b>	<b>55,824</b>	<b>7,458</b>	<b>133,616</b>	<b>460,934</b>	<b>26,540</b>	<b>590,559</b>	<b>17,310,269</b>
<b>Depreciation</b>										
At 1 April 2009	1,798,216	131	247,387	4,850	4,964	67,864	282,305	11,022	61,339	2,478,078
Charged in year	100,849	-	80,471	1,545	561	15,168	40,529	2,423	-	241,546
Disposals	-	-	(482)	-	(495)	(10,192)	(26,295)	(920)	-	(38,384)
Transfer	(119)	-	(914)	-	-	-	-	-	-	(1,033)
Impairments	(142)	-	(18,740)	(643)	-	2,079	-	(614)	1,793	(16,267)
Impairment reversal	-	-	(1)	-	-	-	-	-	-	(1)
Revaluations	(78,917)	-	(101,477)	(2,233)	79	1	3,742	(92)	-	(178,897)
LHB other revaluation	-	-	(272)	(6)	-	(59)	-	-	-	(337)
Reclassification	61,238	(131)	(866)	(25)	-	102	(102)	(53)	(61,339)	(1,176)
<b>At 31 March 2010</b>	<b>1,881,125</b>	<b>-</b>	<b>205,106</b>	<b>3,488</b>	<b>5,109</b>	<b>74,963</b>	<b>300,179</b>	<b>11,766</b>	<b>1,793</b>	<b>2,483,529</b>
<b>Net Book Value at 31 March 2010</b>	<b>11,814,309</b>	<b>416,939</b>	<b>1,717,859</b>	<b>52,336</b>	<b>2,349</b>	<b>58,653</b>	<b>160,755</b>	<b>14,774</b>	<b>588,766</b>	<b>14,826,740</b>
Net Book Value At 31 March 2009	11,548,313	522,170	1,715,214	59,100	2,449	48,966	165,771	13,935	715,784	14,791,702

## 9. Property, plant and equipment continued

	Roads & Infrastructure	Land	Buildings excluding Dwellings	Dwellings	Vehicles	Information Technology	Plant & Machinery	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuation</b>										
At 1 April 2008 restated	12,731,730	613,440	1,838,492	60,862	7,022	86,958	418,947	20,759	646,425	16,424,635
Additions - donated	-	-	472	-	261	50	836	97	1,958	3,674
Additions	-	5,315	77,580	342	519	9,522	36,513	3,280	264,443	397,514
Transfers	(31,614)	-	-	-	-	-	148	-	-	(31,466)
Disposals	-	(1,222)	(4,065)	(237)	(587)	(1,520)	(25,774)	(72)	-	(33,477)
Impairments	(19,222)	(11,779)	(46,027)	(88)	-	(9)	(211)	-	(1,411)	(78,747)
Revaluations	584,214	(78,570)	38,501	1,503	198	18	11,261	703	25,885	583,713
LHB other revaluation	-	(1,300)	2,945	1,463	-	(432)	-	-	-	2,676
Reclassified held for sale	-	(3,833)	(2,486)	(127)	-	-	-	-	-	(6,446)
Reclassification	81,421	250	57,189	232	-	22,243	6,356	190	(160,177)	7,704
<b>At 31 March 2009</b>	<b>13,346,529</b>	<b>522,301</b>	<b>1,962,601</b>	<b>63,950</b>	<b>7,413</b>	<b>116,830</b>	<b>448,076</b>	<b>24,957</b>	<b>777,123</b>	<b>17,269,780</b>
<b>Depreciation</b>										
At 1 April 2008 restated	1,563,200	142	160,599	2,974	4,810	56,583	261,060	8,833	45,850	2,104,051
Charged in year	135,279	63	89,832	1,863	600	12,964	39,593	2,016	-	282,210
Indexation	-	-	3,596	67	86	4	6,769	159	1	10,682
Disposals	-	-	(2,804)	(4)	(570)	(1,507)	(25,151)	(72)	-	(30,108)
Transfer	(4,692)	-	-	-	-	-	-	-	-	(4,692)
Impairments	7,608	-	(318)	(26)	-	-	-	-	(26)	7,238
Impairment reversal	-	-	-	-	-	(12)	-	-	-	(12)
Revaluations	96,821	(74)	(1,736)	(24)	38	41	32	86	15,521	110,705
LHB other revaluation	-	-	(168)	-	-	-	-	-	-	(168)
LHB reclassification	-	-	214	-	-	(209)	2	-	(7)	-
Reclassified held for sale	-	-	(1,828)	-	-	-	-	-	-	(1,828)
<b>At 31 March 2009</b>	<b>1,798,216</b>	<b>131</b>	<b>247,387</b>	<b>4,850</b>	<b>4,964</b>	<b>67,864</b>	<b>282,305</b>	<b>11,022</b>	<b>61,339</b>	<b>2,478,078</b>
<b>Net Book Value at 31 March 2009</b>	<b>11,548,313</b>	<b>522,170</b>	<b>1,715,214</b>	<b>59,100</b>	<b>2,449</b>	<b>48,966</b>	<b>165,771</b>	<b>13,935</b>	<b>715,784</b>	<b>14,791,702</b>
Net Book Value At 31 March 2008 Restated	11,168,530	613,298	1,677,893	57,888	2,212	30,375	157,887	11,926	600,575	14,320,584

\* see note 10 Intangible assets and opening balance adjustment £1,178,000

\*\* indexation reversal expensed

## 9. Property, plant and equipment continued

	<b>Roads &amp; Infrastructure</b>	<b>Land</b>	<b>Buildings excluding Dwellings</b>	<b>Dwellings</b>	<b>Vehicles</b>	<b>Information Technology</b>	<b>Plant &amp; Machinery</b>	<b>Furniture &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>£000</b>
<b>Asset financing:</b>										
Owned	11,530,496	402,803	1,590,950	48,099	2,349	58,381	154,440	14,774	588,766	14,391,058
Finance Leased	-	801	20,203	-	-	272	5,034	-	-	26,310
On-balance sheet PFI contracts	283,813	13,335	106,706	4,237	-	-	1,281	-	-	409,372
<b>Net book value at 31 March 2010</b>	<b>11,814,309</b>	<b>416,939</b>	<b>1,717,859</b>	<b>52,336</b>	<b>2,349</b>	<b>58,653</b>	<b>160,755</b>	<b>14,774</b>	<b>588,766</b>	<b>14,826,740</b>

	<b>Roads &amp; Infrastructure</b>	<b>Land</b>	<b>Buildings excluding Dwellings</b>	<b>Dwellings</b>	<b>Vehicles</b>	<b>Information Technology</b>	<b>Plant &amp; Machinery</b>	<b>Furniture &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>£000</b>
<b>Asset financing:</b>										
Owned	11,548,313	503,401	1,597,527	54,313	2,449	48,512	158,753	13,935	433,307	14,360,510
Finance Leased	-	1	2,548	-	-	454	6,253	-	-	9,256
On-balance sheet PFI contracts	-	18,768	115,139	4,787	-	-	765	-	282,477	421,936
<b>Net book value at 31 March 2009</b>	<b>11,548,313</b>	<b>522,170</b>	<b>1,715,214</b>	<b>59,100</b>	<b>2,449</b>	<b>48,966</b>	<b>165,771</b>	<b>13,935</b>	<b>715,784</b>	<b>14,791,702</b>

## 9. Property, plant and equipment continued

Analysis of property, plant and equipment	Roads & Infrastructure	Land	Buildings excluding Dwellings	Dwellings	Vehicles	Information Technology	Plant & Machinery	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Core department at 31 March 2010</b>	11,814,309	24,692	108,547	1,887	144	26,871	6,184	7,567	219,837	12,210,038
<b>Agencies/LHB's and subsidiaries at 31 March 2010</b>	-	392,247	1,609,312	50,449	2,205	31,782	154,571	7,207	368,929	2,616,702
<b>Core department at 31 March 2009</b>	11,548,313	18,947	73,175	1,455	114	20,216	7,225	7,712	483,375	12,160,532
<b>Agencies/LHB's and subsidiaries at 31 March 2009</b>	-	503,223	1,642,039	57,645	2,335	28,750	158,546	6,223	232,409	2,631,170
<b>Core department at 1 April 2008</b>	11,168,530	22,849	90,966	1,748	174	4,729	7,757	6,551	462,088	11,765,392
<b>Agencies/LHB's and subsidiaries at 1 April 2008</b>	-	590,449	1,586,927	56,140	2,038	25,646	150,130	5,375	138,487	2,555,192

### 9.1 Assets 'held for sale'

	As at 31 Mar 2010			As at 31 Mar 2009		
	Land	Buildings	Total	Land	Buildings	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at the end of the year</b>	3,323	2,022	5,345	4,163	990	5,153

Most of the freehold land and buildings (with exceptions noted below) were valued on 31 March 2010 by GVA Grimley, Chartered Surveyors, on the basis of open market value for existing use in accordance with the 'Appraisal and Valuation Manual', produced jointly by the Royal Institute of Chartered Surveyors, the Incorporated Society of Valuers and Auctioneers and the Institute of Revenues Rating and Valuation. Long leaseholds (over 100 years) are capitalised on the same basis as above. Specialised properties are valued on a depreciated replacement cost basis, in accordance with the 'Appraisal and Valuation Manual', produced jointly by the Royal Institute of Chartered Surveyors, the Incorporated Society of Valuers and Auctioneers and the Institute of Revenues Rating and Valuation.

Properties and land managed by the Department for Economy and Transport and CADW were valued on an annual basis by King Sturge, Chartered Surveyors during 2009-10.

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.

The net value of de-trunked roads transferred under 'disposals/write-offs' was £nil (2008-09: £26,923,000). Payments on Account include an amount for the A55 PFI scheme.

## 10. Intangible assets

	<b>Information Technology £000</b>
<b>Cost or valuation</b>	
At 1 April 2009	33,957
Additions	9,438
Additions – donated	38
Additions – government grant	11
Disposals	(5,644)
Reclassifications	1,272
<b>At 31 March 2010</b>	<b>39,072</b>
<b>Amortisation</b>	
At 1 April 2009	16,459
Charged in year	7,415
Disposals	(5,450)
Write-off	(1)
<b>At 31 March 2010</b>	<b>18,423</b>
<b>Net Book Value at 31 March 2010</b>	<b>20,649</b>
Net Book Value at 1 April 2009	17,499
<b>Cost or valuation</b>	
At 1 April 2008	21,702
Opening balance correction	(118)
Additions	9,703
Disposals	(49)
Revaluation	430
Reclassifications	2,230
<b>At 31 March 2009</b>	<b>33,898</b>
<b>Amortisation</b>	
At 1 April 2008	10,756
Opening balance correction	(118)
Charged in year	5,798
Disposals	(49)
<b>Reclassification</b>	12
<b>At 31 March 2009</b>	<b>16,399</b>
<b>Net Book Value at 31 March 2009</b>	<b>17,499</b>
Net Book Value at 1 April 2008	10,946
<b>Analysis of intangible assets</b>	
<b>Core at 31 March 2010</b>	<b>6,253</b>
<b>Core 1 April 2009</b>	<b>3,846</b>
<b>Core 1 April 2008</b>	<b>2,391</b>

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.

## 11. Financial Assets

Investments and Loans in other Public bodies	NHS Trusts Public Dividend Capital £000	Student Loans £000	Total £000
Balance at 1 April 2008	82,565	1,041,621	1,124,186
Additions	188,195	247,521	435,716
Repayments	(71,847)	(48,463)	(120,310)
Adjustments	-	*(59,273)	(59,273)
Net re-issue	348,019	-	348,019
Extinguished	(455,233)	-	(455,233)
<b>Balance at 31 March 2009</b>	<b>91,699</b>	<b>1,181,406</b>	<b>1,273,105</b>
Additions	81,654	265,626	347,280
Loan repayments	(7,500)	(61,010)	(68,510)
Re-issue	7,490	-	7,490
Extinguished	(76,597)	-	(76,597)
Fair value adjustment	-	(81)	(81)
Adjustment	-	(1,948)	(1,948)
<b>Balance at 31 March 2010</b>	<b>96,746</b>	<b>1,383,993</b>	<b>1,480,739</b>

Other Investments and Loans	Investments £000	Interests in Joint Ventures £000	Mortgages and other loans £000	Available for sale assets FVTPL £000	Available for sale assets cost £000	Total £000
Balance at 1 April 2008	31,546	26,090	4,822	6,730	5,042	74,230
Issues/additions	-	8,725	3,041	3,669	3,025	18,460
Disposals/repayments	(1)	(102)	(4,275)	(553)	(15)	(4,946)
Fair value adjustment	-	(99)	-	(203)	-	(302)
Adjustments	(8,733)	(9,754)	146	(3,222)	(3,122)	(24,685)
<b>Balance at 31 March 2009</b>	<b>22,812</b>	<b>24,860</b>	<b>3,734</b>	<b>6,421</b>	<b>4,930</b>	<b>62,757</b>
Additions	-	4,110	4,214	3,351	4,636	16,311
Repayments	(1)	(264)	(4,749)	(562)	-	(5,576)
Fair value adjustment	(6,187)	(10,944)	46	-	-	(17,085)
Adjustments	-	903	(25)	(2,904)	(1,969)	(3,995)
<b>Balance at 31 March 2010</b>	<b>16,624</b>	<b>18,665</b>	<b>3,220</b>	<b>6,306</b>	<b>7,597</b>	<b>52,412</b>

Analysis of financial assets	WAG £000	Consolidated £000
As at 31 March 2010	1,575,344	1,533,151
As at 31 March 2009	1,362,683	1,335,862

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

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

The Student loans are shown net of the write-off provision which 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 (2009-10: 4.2%, 2008-09: 2.25%) to reflect the full extent of the subsidy, which is credited to the General Fund.

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

Cleppa Park Phase II  
Hawtin Business Park, Blackwood  
MediCentre, Heath Hospital  
Parc Hendre  
Parc Hendre, Ammanford (Spec Units)  
Barry Waterfront  
Cross Hands West  
Swansea Town Centre  
Swansea Vale  
Cleddau Reach  
Rhyd-y-car, Merthyr  
Royal Dockyard, Pembroke Dock  
Baglan Energy Park Phase I  
Former Coal Stoking Depot, Mountain Ash  
Station Yard, Aberdare  
53 Margaret St, Abercynon  
Phonetronics, Bridgend Science Park  
Oakdale, Blackwood  
Palace Cinema, Treharris  
Pare Amanwy, Ammanford  
Cooke's Site, Penrhyndeudraeth  
Withybush, Haverfordwest  
National Botanic Garden of Wales  
Harbour View, Porthcawl  
Canal Side, Neath  
Llanhilleth Industrial Estate, Llanhilleth  
College Car Park South, Merthyr Tydfil  
Wales International Business Park, Jt33 M4  
Beechwood Industrial Estate, Llandeilo

## Other financial assets

	As at 31 March 2010		As at 31 March 2009	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
LHB Loans carried at amortised cost	-	25	-	25
	-	25	-	25





## 14. Inventories

	31 March 2010		31 March 2009		1 April 2008	
	WAG	Consolidated	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000	£000	£000
Road salt	197	197	221	221	217	217
Cadw/LHB Raw materials and consumables	137	29,845	134	26,258	118	23,950
Cadw Goods for Resale	610	610	624	624	610	610
Telecommunication spares	3,643	3,643	3,030	3,030	3,093	3,093
Drugs	33,856	50,653	20,080	35,083	8,799	22,597
Fire Service Devolution	952	952	951	951	952	952
	<b>39,395</b>	<b>85,900</b>	25,040	66,167	13,789	51,419

## 15. Trade receivables and other current assets

	31-Mar-2010		Restated 31-Mar-2009		1 April 2008	
	WAG	Consolidated	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000	£000	£000
<b>Amounts falling due within one year:</b>						
Trade receivables	57,398	106,393	65,600	116,616	123,996	162,431
Deposits & advances	191	191	335	335	280	280
NDR	-	-	78,537	78,537	74,414	74,414
Primary Care Trusts	-	-	-	-	-	-
NHS Trusts	-	12,779	-	12,825	-	10,356
Welsh Risk Pool	-	-	-	-	-	-
Other tax	11,660	11,822	9,293	9,332	8,316	8,436
Prepayments and accrued income	15,783	40,383	13,167	35,051	9,092	43,133
Loans receivable within one year	-	9,777	-	8,559	-	7,298
Accrued Income relating to EU	122,476	122,621	83,086	83,177	68,021	68,021
	<b>207,508</b>	<b>303,966</b>	250,018	344,432	284,119	374,369
<b>Amounts falling due after more than one year:</b>						
Welsh Risk Pool	-	-	-	-	-	-
Finance Wales loans	-	31,891	-	27,647	-	21,348
Prepayments	-	241	-	1,504	-	294
Other receivables	-	7,086	21,801	27,386	-	4,890
	-	<b>39,218</b>	21,801	56,537	-	26,532
<b>Total trade receivables and other current assets</b>	<b>207,508</b>	<b>343,184</b>	271,819	400,969	284,119	400,901

## 15. Trade receivables and other current assets continued

### Intra-Government Balances

Consolidated figures only required	Amounts falling due within one year		Amounts falling due after more than one year	
	31 Mar 2010	31 Mar 2009	31 Mar 2010	31 Mar 2009
	£000	£000	£000	£000
<b>Amounts falling due within one year:</b>				
Balances with other central government bodies	(2,411)	84,635	-	-
Balances with local authorities	2,213	11,838	-	-
Balances with NHS Trusts	14,648	12,825	-	-
Balances with public corporations and trading funds	-	-	-	-
<b>Subtotal: intra-government balances</b>	<b>14,450</b>	<b>109,298</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	289,516	235,134	39,218	56,537
<b>Total Trade receivables</b>	<b>303,966</b>	<b>344,432</b>	<b>39,218</b>	<b>56,537</b>

## 16. Cash and cash equivalents

	WAG £000	Consolidated £000
Balance at 1 April 2008	151,819	262,257
Net change in cash and cash equivalent balances	(36,730)	(70,937)
Balance at 31 March 2009	<b>115,089</b>	<b>191,320</b>
Net change in cash and cash equivalent balances	(49,210)	46,866
<b>Balance at 31 March 2010</b>	<b>65,879</b>	<b>238,186</b>

	WAG As at 31 March 2010 £000	Consolidated As at 31 March 2010 £000	WAG As at 31 March 2009 £000	Consolidated As at 31 March 2009 £000	WAG As at 1 April 2008 £000	Consolidated As at 1 April 2008 £000
The following balances were held at:						
Office of HM Paymaster General	64,274	88,746	109,277	122,910	145,000	211,240
Commercial banks & cash in hand	1,605	149,440	5,812	19,370	6,819	51,017
National Loans Fund	-	-	-	49,040	-	-
<b>Total</b>	<b>65,879</b>	<b>238,186</b>	<b>115,089</b>	<b>191,320</b>	<b>151,819</b>	<b>262,257</b>

The Government of Wales Act 2006 established the Welsh Consolidated Fund from 1 April 2007. Cash drawn down but unused from the Exchequer during 2009-10 is repayable to the Welsh Consolidated Fund in 2009-10 £49,658,000 of the balance as at 31 March 2010 is repayable.

## 17. Trade payables and other current liabilities

	As at 31-Mar-2010		Restated As at 31-Mar-2009		As at 01-Apr-2008	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000	WAG £000	Consolidated £000
<b>Amounts falling due within one year:</b>						
Other taxation and social security	5,733	54,823	1,304	35,501	441	31,434
Trade and other payables	255,905	440,857	268,548	448,107	238,575	418,465
Accruals & deferred income:						
European Union	68,821	68,821	59,238	61,708	69,444	69,444
Other accruals and deferred income	175,185	383,911	173,699	377,414	153,116	325,908
Amounts payable to the Welsh Consolidated Fund	64,924	64,924	32,329	32,329	88,843	88,843
NHS Trusts	-	60,657	-	36,966	-	41,795
Primary Care Trusts	-	-	-	-	-	-
Capital Creditors	-	35,236	-	37,321	-	24,614
LHB overdraft	-	-	-	1,303	-	1,481
Rebates	-	186	-	409	-	501
Current part of finance leases	363	363	329	329	298	298
Current part of imputed finance lease element of on balance sheet PFI	6,944	12,492	6,750	11,331	6,559	10,921
Staff Pensions	-	17,697	-	12,573	-	15,142
	<b>577,875</b>	<b>1,139,967</b>	<b>542,197</b>	<b>1,055,291</b>	<b>557,276</b>	<b>1,028,846</b>
<b>Amounts falling due after more than one year</b>						
Finance lease on Merthyr building and retentions on Highways contracts	8,161	8,161	8,525	8,525	8,853	8,853
Other payables, accruals & deferred income	1,126	1,320	2,677	2,677	2,551	4,766
Finance Wales -rebates	-	84	-	281	-	634
Capital creditors	-	454	-	1,018	-	701
Imputed finance lease element of on balance sheet PFI contracts	165,815	256,499	172,760	268,358	179,509	275,582
Staff Pensions	-	328	-	329	-	331
	<b>175,102</b>	<b>266,846</b>	<b>183,962</b>	<b>281,188</b>	<b>190,913</b>	<b>290,867</b>
<b>Total trade payables and other current liabilities</b>	<b>752,977</b>	<b>1,406,813</b>	<b>726,159</b>	<b>1,336,479</b>	<b>748,189</b>	<b>1,319,713</b>

## 17.1 Trade payables and other current liabilities continued

### Intra-Government Balances

Consolidated figures only required	Amounts falling due within one year		Amounts falling due after more than one year	
	31 Mar 2010	31 Mar 2009	31 Mar 2010	31 Mar 2009
	£000	£000	£000	£000
<b>Amounts falling due within one year:</b>				
Balances with other central government bodies	(9,101)	(21,151)	-	-
Balances with local authorities	16,099	28,442	-	-
Balances with NHS Trusts	62,334	61,939	-	-
Balances with public corporations and trading funds	-	-	-	-
<b>Subtotal: intra-government balances</b>	<b>69,332</b>	<b>69,230</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	1,070,635	986,061	266,846	281,188
<b>Total Trade payables</b>	<b>1,139,967</b>	<b>1,055,291</b>	<b>266,846</b>	<b>281,188</b>

## 18. Provisions for liabilities and charges

	WAG			Consolidated		
	Staff Costs	NHS Provisions	Total	Staff Costs	NHS/LHB Provisions	Total
	£000	£000	£000	£000	£000	£000
<b>Restated balance at 1 April 2008</b>	3,475	274,148	<b>277,623</b>	3,475	371,810	<b>375,285</b>
Provided in the year	332	39,536	<b>39,868</b>	332	174,264	<b>174,596</b>
Provisions not required written back	(72)	(3,595)	<b>(3,667)</b>	(72)	(95,794)	<b>(95,866)</b>
Unwinding of provision	-	-	-	-	929	<b>929</b>
Transfer	-	-	-	-	(213)	<b>(213)</b>
Provisions utilised in year	(686)	(21,523)	<b>(22,209)</b>	(686)	(78,620)	<b>(79,306)</b>
<b>Balance at 31 March 2009</b>	<b>3,049</b>	<b>288,566</b>	<b>291,615</b>	<b>3,049</b>	<b>372,376</b>	<b>375,425</b>
Provided in the year	1,575	141,408	<b>142,983</b>	1,575	280,030	<b>281,605</b>
Provisions not required written back	-	-	-	-	(77,897)	<b>(77,897)</b>
Unwinding of provision	-	-	-	-	1,460	<b>1,460</b>
Transfer	-	-	-	-	(579)	<b>(579)</b>
Provisions utilised in year	(730)	(34,875)	<b>(35,605)</b>	(730)	(96,876)	<b>(97,606)</b>
<b>Balance at 31 March 2010</b>	<b>3,894</b>	<b>395,099</b>	<b>398,993</b>	<b>3,894</b>	<b>478,514</b>	<b>482,408</b>

## 18. Provisions for liabilities and charges continued

Analysis of expected timing of discounted flows

	WAG			Consolidated		
	Staff Costs	NHS Provisions	Total	Staff Costs	NHS/LHB Provisions	Total
	£000	£000	£000		£000	£000
In the remainder of the Spending Review period (to 2010)	1,943	180,139	<b>182,082</b>	1,943	211,017	<b>212,960</b>
Between 2011 and 2015	1,750	209,998	<b>211,748</b>	1,750	239,834	<b>241,584</b>
Between 2016 and 2020	123	4,962	<b>5,085</b>	123	20,793	<b>20,916</b>
Thereafter	78	-	<b>78</b>	78	6,870	<b>6,948</b>
<b>Balance at 31 March 2010</b>	<b>3,894</b>	<b>395,099</b>	<b>398,993</b>	<b>3,894</b>	<b>478,514</b>	<b>482,408</b>

Included in the amounts not expected to be called until after 2020 are:

	Staff Costs	NHS Provisions	Total	Staff Costs	NHS/LHB Provisions	Total
	£000	£000	£000		£000	£000
Amounts not expected to be called until the period beginning 2061	-	-	-	-	-	-
Amounts not expected to be called until the period beginning 2086	-	-	-	-	-	-

### Staff Costs

#### **(i) Early retirement provision – balance at 31 March 2010: £2,595,000**

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

#### **(ii) Pension commitment provision – balance at 31 March 2010: £355,000**

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

#### **(iii) Astley case provision – balance at 31 March 2010: £944,000**

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

### NHS Provisions

#### **(iv) Continuing Care provision – balance at 31 March 2010: £13,462,000**

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

**(v) Hepatitis C provision – balance at 31 March 2010: £810,000**

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

**(vi) Agenda for Change provision –balance at 31 March 2010: £149,000**

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.

**(vii) Electronic Staff Records provision – balance at 31 March 2010: £1,436,000**

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

**(viii) Welsh Risk Pool provision – balance at 31 March 2010: £379,242,000**

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

LHB Provisions

See accounting policy note 1.25

**19. Other liabilities**

	31-Mar-2010		Restated 31-Mar-2009		01-Apr-2008	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000	WAG £000	Consolidated £000
<b>Current:</b>						
Finance Wales borrowings	-	4,606	-	948	-	-
LHB other liabilities	-	3,268	-	3,173	-	24,776
	-	7,874	-	4,121	-	24,776
<b>Non-current:</b>						
Finance Wales borrowings	-	92,357	-	27,982	-	37,350
LHB other liabilities	-	2,061	-	2,354	-	3,156
	-	94,418	-	30,336	-	40,506

**20. Capital Commitments**

	31-Mar-2010		Restated 31-Mar-2009		01-Apr-2008	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000	WAG £000	Consolidated £000
Contracted capital commitments not otherwise included within these financial statements						
<b>Property, plant and equipment</b>						
Roads Construction	86,665	86,665	83,625	83,625	137,239	137,239
Local Health Boards	-	211,032	-	239,155	-	*
Economy and Transport	31,946	31,946	10,046	10,046	25,049	25,049
Central Services	2,272	2,272	3,047	3,047	5,066	5,066
Location Strategy	4,894	4,894	29,153	29,153	20,410	20,410
	125,777	336,809	125,871	365,026	187,764	187,764

\* no figure provided by LHB's

## 21. Commitments under leases

### 21.1 Commitments under operating leases

Total future minimum lease payments under operating leases are given in the table below:

	31-Mar-2010		31-Mar-2009	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
<b>Land</b>				
Not later than one year	12	12	85	85
Later than one year and not later than five years	37	37	26	26
Later than five years	504	504	228	228
	<b>553</b>	<b>553</b>	339	339
<b>Buildings</b>				
Not later than one year	9,951	21,451	10,098	22,050
Later than one year and not later than five years	32,308	55,443	33,890	53,135
Later than five years	58,904	80,953	56,677	68,920
	<b>101,163</b>	<b>157,847</b>	100,665	144,105
<b>Other:</b>				
Not later than one year	285	285	488	488
Later than one year and not later than five years	56	84	192	227
Later than five years	-	-	18	18
	<b>341</b>	<b>369</b>	698	733
	<b>102,057</b>	<b>158,769</b>	101,702	145,177

### 21.2 Commitments under finance leases

At 31 March 2010 the Welsh Assembly Government and its related bodies were committed to making the following minimum lease payments:

	31-Mar-2010		31-Mar-2009		01-Apr-2008	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000	WAG £000	Consolidated £000
<b>Buildings</b>						
Not later than one year	1,254	1,476	1,254	1,522	964	1,053
Later than one year and not later than five years	5,016	5,767	5,016	5,711	5,016	5,305
Later than five years	9,695	10,140	10,949	11,471	12,203	12,380
	<b>15,965</b>	<b>17,383</b>	17,219	18,704	18,183	18,738
Less interest element	(7,987)	(8,049)	(8,943)	(9,025)	(9,900)	(9,909)
	<b>7,978</b>	<b>9,334</b>	8,276	9,679	8,283	8,829



## 22. Commitments under PFI contracts

### 22.1 Off-balance sheet

#### Bute Avenue PFI contract

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

### 22.2 On balance sheet

#### A55 PFI contract

Contractors were commissioned by the Welsh Assembly Government 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. Under IFRIC 12, the road is treated as an asset of the Welsh Assembly Government. Unitary payments comprise of two elements – imputed finance lease charges and service charges.

Under the terms of the contract, at the date the road reverts to the Welsh Assembly Government it will have a ten year residual life. The depreciation charge for the road is an estimate of the deterioration in the condition of the road, however, the depreciated value will be based on the road always having a ten year residual life until the reversion date.

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Welsh Assembly Government only	31 Mar 2010	31 Mar 2009	01 Apr 2008
	£000	£000	£000
<b>Total obligations under on balance sheet PFI contracts for the following periods:</b>			
Not later than one year	<b>16,000</b>	16,500	16,800
Later than one year and not later than five years	<b>69,000</b>	68,000	67,500
Later than five years	<b>247,000</b>	264,000	281,000
	<b>332,000</b>	348,500	365,300
Less interest element	<b>(54,376)</b>	(59,582)	(64,978)
	<b>277,624</b>	288,918	300,322

Details of LHB PFI contracts are held within the LHB summarised account.

### 22.3 Charges to the Operating Cost Statement and future commitments

The total charged in the Operating Cost Statement in respect of off-balance sheet PFI transactions and the service element of on-balance sheet PFI transactions was £10,095,715 (2008-09: £10,419,881); and the payments to which the Welsh Assembly Government is committed, is as follows:

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Welsh Assembly Government only	31 Mar 2010	31 Mar 2009	01 Apr 2008
	£000	£000	£000
Not later than one year	<b>9,436</b>	9,924	9,956
Later than one year and not later than five years	<b>44,260</b>	43,206	41,580
Later than five years	<b>157,080</b>	170,112	179,142
	<b>210,776</b>	223,242	230,678

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### 23. Other Financial Commitments

The Welsh Assembly Government and its related bodies entered into non-cancellable contracts (which are not leases or PFI contracts) for services. The payments to which the Welsh Assembly Government is committed, analysed by the period during which the commitment expires are as follows:

	31-Mar-2010		31-Mar-2009	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
Not later than one year	<b>18,442</b>	<b>19,741</b>	18,363	19,319
Later than one year and not later than five years	<b>60,846</b>	<b>60,846</b>	74,667	74,667
Later than five years	-	-	1,799	1,799
	<b>79,288</b>	<b>80,587</b>	94,829	95,785

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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 the Welsh Assembly Government does not accrue for grant funding or payments.

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.

### 23.1 Financial guarantees, Indemnities and Letters of Comfort

The Welsh Assembly Government has entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the possibility of a transfer of economic benefit in settlement is too remote.

Guarantees: nil

Indemnities:

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 committed to indemnify Housing Stock Transfer organisations against the financial consequences of any future withdrawal of, or amendment to the VAT Mitigation Scheme. The liabilities cover eight organisations for £245.5 million and the period of liability varies. There are no current concerns regarding the continuation of the scheme, and the potential of the liability maturing is considered to be too remote to include as a contingent liability.

The Government Indemnity Scheme provides indemnities to enable the National Library of Wales, the National Museum of Wales, and other eligible institutions to borrow objects and artworks. 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 2010 was £49.3 million.

Letters of comfort:

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.

Other:

Details on restricted and as yet un-quantified potential liabilities are not shown due to their sensitivity to commercial and legal confidentiality.

## 24. Contingent Liabilities disclosed under IAS 37

	Year ended 31 March 2010		Year ended 31 March 2009	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
Legal Claims – alleged medical or employer negligence	-	(124,049)	(2,195)	(93,202)
Potential contractual obligations under the WDA Act 1975	(17,153)	(17,153)	(17,474)	(17,474)
	<b>(17,153)</b>	<b>(141,202)</b>	<b>(19,669)</b>	<b>(110,676)</b>

## 25. Interest

	Year ended 31 March 2010		Year ended 31 March 2009	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
<b>Interest Payable:</b>				
National Loans Fund	-	-	1,715	1,715
Other	-	<b>10,979</b>	-	10,703
	-	<b>10,979</b>	1,715	12,418
<b>Interest Receivable:</b>				
National Loans Fund Investments	-	-	(1,715)	(1,715)
Dividend received on PDC investments	<b>(43,544)</b>	<b>(43,544)</b>	(78,338)	(78,338)
Other loan interest (including Health and Student loans)	<b>(12,313)</b>	<b>(13,568)</b>	(10,575)	(20,424)
	<b>(55,857)</b>	<b>(57,112)</b>	(90,628)	(100,477)

## 26 National Loans Fund

	National Loans Fund £000
Balance at 1 April 2009	11,782
Repayments during year	(33)
<b>Balance at 31 March 2010</b>	<b>11,749</b>
Amounts falling due within 1 year	39
Amounts falling due between 1 and 5 years	225
Amounts falling due after 5 years	11,485
<b>Total</b>	<b>11,749</b>

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

## 27. Un-hypothecated Supported Borrowing

The Welsh Assembly Government provides Un-hypothecated 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.

Un-hypothecated Supported Borrowing issued during the year was as follows:

	Year ended 31 March 2010 £000	Year ended 31 March 2009 £000
Health & Social Services	5,388	5,388
Social Justice & Local Government	14,842	14,842
Environment, Sustainability & Housing	79,709	79,989
Economy & Transport	16,478	16,478
Children, Education, Lifelong Learning & Skills	45,699	45,699
<b>Total Unhypothecated Supported Borrowing</b>	<b>162,116</b>	<b>162,396</b>

## 28. Losses and Special Payments

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

	Year ended 31 March 2010			
	WAG		Consolidated	
	No of Cases	£000	No of Cases	£000
Cash Losses	60	2,011	60	2,011
Claims Abandoned	72	5,151	72	5,151
Fruitless Payments	4	3	4	3
Store Losses	1	2	1	2
	<b>137</b>	<b>7,167</b>	<b>137</b>	<b>7,167</b>

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

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

	Year ended 31 March 2010			
	WAG		Consolidated	
	No of Cases	£000	No of Cases	£000
Special Payments	22	32	22	32
	<u>22</u>	<u>32</u>	<u>22</u>	<u>32</u>

  

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

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

Abandoned claims:	£000
The Authentic Curry Company	250
Avana Bakeries Ltd	450
The Welsh Sausage Company Ltd	260
City and County of Swansea	1,281
Welsh Clothing and Textile Association	517
Global Fibres Ltd	300
Antur Dwyryd Llyn	843
Cardinal Packaging	1,001

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

	Year ended	
	31 March 2010	
	No of Cases	£000
Medical Negligence	441	37,347
Personal Injury	435	4,983
Fraud	-	-
Other	1,823	1,689
	<u>2,699</u>	<u>44,019</u>

Restated prior year figures unavailable

## 29. 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 Education  
Department for Transport  
Department for Work and Pensions  
Department for Business, Innovation and Skills  
Environment Agency Wales  
Estyn: Her Majesty's Inspectorate of Education & Training in Wales  
Food Standards Agency  
Foreign and Commonwealth Office  
Forestry Commission  
Further and Higher Education Bodies  
General Social Care Council  
General Teaching Council for Wales  
Health Protection Agency  
HM Treasury  
Local Authorities in Wales  
NHS Bodies in Wales  
Office of Government Commerce  
Office of Science and Technology  
Older Peoples Commissioner  
Planning Inspectorate  
Police Authorities in Wales  
Public Health Laboratory Service  
Public Services Ombudsman  
Rural Payment Agency

Treasury Solicitors Department  
Trunk Road Agencies in Wales  
Valuation Office Agency  
The National Fallen Stock Company

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

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

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.

James Turner (non-executive director) is also a non-executive director of Aber Instruments which received business support grants of £32,948 during the year.

Creative Business Wales awarded travel support to a US Trade Fair to Cubeinteractive Ltd of £700. Elan Closs Stephens' son is the Managing Director of the company.

The accounts for 2008-09 previously stated that Alun Ffred Jones (Minister for Heritage) had divested any interest in respect of Barcud Derwen Cyf. While this was his intention, this was not achieved and his shareholder interests continued to be held in 2009-10. There was no money paid to Barcud Derwen Cyf by the Welsh Assembly Government during 2009-10, and the company went into liquidation in June 2010.

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



### 30. Resources by Welsh Assembly Government Objectives

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

	<b>2009-10</b>	<b>Restated</b>
	<b>£000</b>	<b>2008-09</b>
		<b>£000</b>
▪ Learning for Life	<b>53,037</b>	45,365
▪ A Healthy Future	<b>161,853</b>	142,554
▪ A Prosperous Society	<b>50,903</b>	48,472
▪ A Fair and Just Society	<b>91,577</b>	82,517
▪ Living Communities	<b>13,739</b>	13,798
▪ A Sustainable Environment	<b>19,028</b>	16,629
▪ A Rich and Diverse Culture	<b>4,202</b>	3,596
<b>TOTAL</b>	<b>394,339</b>	352,931

### 31. Interreg III

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

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

#### Income and Expenditure

		Year Ended 31 March 2010		Year Ended 31 March 2009	
		€000	€000	€000	€000
Income	EU Funding		<b>646</b>		<b>3,938</b>
Grant Expenditure	Ireland	<b>(288)</b>		<b>(1,951)</b>	
	Wales	<b>(358)</b>		<b>(1,987)</b>	
		<b>(646)</b>		<b>(3,938)</b>	
Other Expenditure	Bank Charges	-		-	
	Exchange Gain	<b>20</b>		<b>387</b>	
Total Expenditure			<b>(626)</b>		<b>(3,551)</b>
Net Income			<b>20</b>		<b>387</b>

#### Balance Sheet as at 31 March 2010

		Year Ended 31 March 2010		Year Ended 31 March 2009	
		£000	€000	£000	€000
Trade and other receivables		<b>585</b>	<b>638</b>	<b>1,252</b>	<b>1,350</b>
Cash		<b>1,153</b>	<b>1,256</b>	<b>1,053</b>	<b>1,137</b>
Trade and other payables		<b>(1,252)</b>	<b>(1,364)</b>	<b>(1,795)</b>	<b>(1,937)</b>
Assets less liabilities		<b>486</b>	<b>530</b>	<b>510</b>	<b>550</b>
General Fund		<b>486</b>	<b>530</b>	<b>510</b>	<b>550</b>

## 32. Results of related companies

The Welsh Assembly Government has interests in related UK registered 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.

Welsh Assembly Government holding at 31 March 2010

<b>Name of company</b>	<b>Description of investment</b>	<b>Proportion held</b>	<b>Share capital and reserves</b>	<b>Profit/ (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	41,062,857	6,318,158

Finance Wales plc was a wholly owned subsidiary company of the Welsh Assembly Government. The results for the year show a profit of £6,318,158 (2008-09 – loss £11,185,208) and share capital and reserves of £41,062,857 (2008-09 £30,192,347), 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, Finance Wales Investments (5) Ltd, Finance Wales Investments (6) Ltd, FW Capital Ltd, NE Growth 500 LP Ltd, Xenos – the Business Angel Network Ltd and also its share of the loss of Wales Innovation Fund Ltd, an incorporated joint venture.

The Welsh Assembly Government also had a 49% interest in an associated undertaking known as Welsh Industrial Partnership LLP. The value of the interest, shown at fair value is £10,000,000 and is included in financial assets at note 11. The management structure is such that the Welsh Assembly Government does not have significant influence. The company's legal form is a limited partnership.

The Welsh Assembly Government also had a 50% interest in an associated undertaking known as Dragon 24 LLP. The value of the interest, shown at fair value is £6,625,000, and is included in financial assets at Note 11. The management structure is such that the Welsh Assembly Government does not have significant influence. The company's legal form is a limited partnership.

### 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.

### 33. 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 2010	Year Ended 31 March 2009
		€000	€000
Income:	EU	-	(94)
Expenditure:	Grant Payments	138	-
(Surplus)/Deficit		<u>138</u>	<u>(94)</u>

#### Statement of Financial Position

	Year Ended 31 March 2010	Year Ended 31 March 2009
	€000	€000
Trade and other receivables	-	-
Cash and cash equivalents	-	215
Trade and other payables	-	(77)
Assets less Liabilities	<u>-</u>	<u>138</u>
General Fund	<u>-</u>	<u>138</u>

### **34. Prior year adjustments**

The NHS bodies in Wales were restructured on the 1 October 2009 into 7 Local Health Boards and 3 Trusts. The Public Dividend Capital in the core account has been restated as at 1 April 2008. The consolidated account has been restated as at 1 April 2008, so that merging Trusts which had previously been outside the consolidation boundary of Welsh Assembly Government are now incorporated into the consolidated account as part of the LHB summarised accounts. The consolidated accounts have been restated accordingly, to reflect the position as if the scheme had taken place on 1 April 2008 for comparative purposes.

Public Dividend Capital within the core account of £1,925,278,000 was extinguished with effect from 1 October 2009. The restatements for the current and prior year reflect the position as if the scheme had taken place on 1 April 2008 for comparative purposes.

The prior year adjustments for IFRS restatements are identified in Note 2.

### **35. Heritage Assets**

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

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

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

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

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

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

The NMRW comprises information gathered from RCAHM survey programmes and from donations of material from other organisations including Cadw and private individuals. Currently the heritage assets comprise of over 1.5 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.coflein.gov.uk](http://www.coflein.gov.uk).

## 36 Pensions

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

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### 36a. Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Welsh Assembly Government is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme 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 2009-10, employers contributions of £35,504,932 were payable to the PCSPS (2008-09: £31,785,333) at one of four rates in the range 16.7 to 24.3 per cent (2008-09: 17.1 to 25.5) based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2010-11, the rates will be in the range 16.7 to 24.3 per cent. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees joining after 1 October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £187,113 (2008-09: £156,913) 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 4). 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 £187,113.

Contributions due to the partnership pension providers at the balance sheet date were £nil (2008-09: £nil). Contributions prepaid at the date were £nil (2008-09: £nil). 7 individuals retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £10,272.

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### **36b. Former Welsh Development Agency Employees**

Former Welsh Development Agency and Finance Wales PLC employees initially transferred to the Welsh Assembly Government on 1 April 2006 but remained on their existing terms and conditions and pension arrangements, until new arrangements could be agreed. In 2008-09 some Welsh Assembly Government employees opted to transfer to the PCSPS Nuvos scheme and some opted to remain in the previous scheme.

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 IAS 19 purposes, together with the funding position in respect of the staff of the former Welsh Development Agency are shown. Corresponding valuations and principal assumptions have also been obtained in respect of staff of Finance Wales Plc. These are disclosed within the financial statements of Finance Wales Plc and have been reflected in the financial results and balances for the consolidated position of the Assembly Government. The agreed employer's contribution rate was 17.7% of pensionable earnings. The opening balance of the pension liability for 2008-09 has been restated by an increase of £2,690,000 as a result of changes in IFRS/IAS accounting methods.

## **FUNDED BENEFITS**

### **Main financial assumptions used**

	<b>At 31 March 2010</b>	<b>At 31 March 2009</b>	<b>At 31 March 2008</b>
Rate of increase in Salaries	4.25%	5.1%	5.2%
Rate of increase in Pensions in payment	2.75%	3.6%	3.7%
Rate of increase to deferred pensions	2.75%	3.6%	3.7%
Discount rate	4.6%	6.5%	6.8%
Inflation assumption	2.75%	3.6%	3.7%



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

	Long-term rate of return expected at 31 March 2010	Asset split at 31March 2010	Long-term rate of return expected at 31 March 2009	Asset split at 31March 2009	Long-term rate of return expected at 31 March 2008	Value at 31 March 2008
	% pa	%	% pa	%	% pa	%
Equities	<b>8.0</b>	<b>66.8</b>	<b>7.0</b>	<b>61.7</b>	7.6	73.3
Property	<b>8.5</b>	<b>5.9</b>	<b>6.0</b>	<b>4.3</b>	6.6	3.8
Government bonds	<b>4.5</b>	<b>14.1</b>	<b>4.0</b>	<b>17.9</b>	4.6	11.6
Corporate bonds	<b>5.5</b>	<b>10.1</b>	<b>5.8</b>	<b>8.4</b>	6.8	2.4
Cash	<b>0.7</b>	<b>3.1</b>	<b>1.6</b>	<b>4.2</b>	6.0	4.7
Other	<b>8.0</b>	<b>-</b>	<b>1.6</b>	<b>3.5</b>	6.0	4.2
Total	<b>7.1</b>	<b>100</b>	<b>5.9</b>	<b>100</b>	7.1	100

The Welsh Assembly Government employs a building block approach in determining the rate of return on Fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is set out within this note. The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Fund at 31 March 2010.

**Reconciliation of funded status to balance sheet**

	Value as at 31 March 2010 £000	Value as at 31 March 2009 £000	Value as at 31 March 2008 £000
Fair value of assets	<b>87,070</b>	68,160	89,120
Present value of funded defined benefit obligation	<b>(163,090)</b>	(129,500)	(121,440)
Asset/(liability) recognised on statement of financial position	<b>(76,020)</b>	(61,340)	(32,320)

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

	2009-10 £000	2008-09 £000
Current service cost	<b>1,990</b>	3,110
Past service cost	<b>140</b>	400
Interest cost	<b>8,300</b>	8,210
Expected return on assets	<b>(3,940)</b>	(6,260)
Curtailement cost	<b>-</b>	(3,070)
Settlement cost	<b>290</b>	(1,780)
Expense recognised	<b>6,780</b>	610

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

	2009-10 £000	2008-09 £000
Opening present value of defined benefit obligation	129,500	121,440
Current service cost	1,990	3,110
Interest cost	8,300	8,210
Contributions by participants	1,010	1,770
Actuarial (gains)/losses on liabilities*	27,840	7,700
Net benefits paid out#	(4,800)	(3,700)
Past service cost	140	400
Curtailments	-	(3,070)
Settlements	(890)	(6,360)
	<b>163,090</b>	129,500

Closing present value of defined benefit obligation

\*Includes changes to the actuarial assumptions

#Consists of net cash flow out of the fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

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

	2009-10 £000	2008-09 £000
Opening fair value of assets	68,160	89,120
Expected return on assets	3,940	6,260
Actuarial gains/(losses) on assets	20,530	(25,570)
Contributions by the employer	3,950	4,860
Contributions by participants	1,010	1,770
Net benefits paid out#	(4,800)	(3,700)
Net increase in assets from disposals and acquisitions	(4,530)	-
Settlements	(1,190)	(4,580)
	<b>87,070</b>	68,160

Closing fair of assets

#Consists of net cash flow out of the fund in respect of the employer, excluding contributions and any death in service lump sums paid, and including an approximate allowance for the expected cost of death in service lump sums.

### Actual return on assets

	2009-10 £000	2008-09 £000
Expected return on assets	3,940	6,260
Actuarial gain/(loss) on assets	20,530	(25,570)
	<b>24,470</b>	(19,310)

Actual return on assets

### History of asset values, present value of defined benefit obligation and surplus/deficit

	2009-10 £000	2008-09 £000
Fair value of assets	87,070	68,160
Present value of defined benefit obligation	(163,090)	(129,500)
	<b>(76,020)</b>	(61,340)

Deficit

## History of experience gains and losses

	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
Experience losses on assets	<b>20,530</b>	(25,570)
Experience losses on liabilities	<b>1,150</b>	(390)

## UNFUNDED BENEFITS

### Main financial assumptions used

	At 31 March 2010	At 31 March 2009	At 31 March 2008
Rate of increase in Pensions in payment	2.75%	3.6%	3.7%
Discount rate	4.6%	6.5%	6.8%
Inflation assumption	2.75%	3.6%	3.7%

### Reconciliation of funded status to balance sheet

	<b>2009-10</b>	Restated 2008-09	Restated 2007-08
	<b>£000</b>	£000	£000
Present value of liabilities	<b>8,620</b>	8,300	7,850
Net pension asset(liability)	<b>(8,620)</b>	(8,300)	(7,850)

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

	<b>2009-10</b>	2008-09
	<b>£000</b>	£000
Current service cost	-	-
Past service cost	<b>30</b>	160
Interest cost	<b>520</b>	520
Expense recognised	<b>550</b>	680

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

	<b>2009-10</b>	Restated 2008-09
	<b>£000</b>	£000
Opening present value of liabilities	<b>8,300</b>	7,850
Current service cost	-	-
Interest cost	<b>520</b>	520
Actuarial (gains)/losses on liabilities*	<b>460</b>	450
Net benefits paid out#	<b>(690)</b>	(680)
Past service cost	<b>30</b>	160
Closing present value of liabilities	<b>8,620</b>	8,300

\*Includes changes to the actuarial assumptions

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

	2009-10	Restated 2008-09
	£000	£000
Present value of liabilities	<b>8,620</b>	8,300
Surplus/(deficit)	<b>(8,620)</b>	(8,300)

### History of experience gains and losses

	2009-10	Restated 2008-09
	£000	£000
Experience gains (losses)	<b>420</b>	(100)

### 36c. Former Wales Tourist Board employees

Wales Tourist Board employees transferred to the Welsh Assembly Government on 1 April 2006 but remained on their existing terms and conditions and pension arrangements with the British Tourist Boards' Staff Pension and Life Assurance Scheme, until 1 February 2009. The active members of this Scheme then became members of PCSPS Premium for future accrual after that date.

Following discussions between Welsh Assembly Government and the BTB Scheme Trustees in respect of these members' existing rights in the BTB Scheme, it was agreed that the the members would become entitled to deferred pensions in the Scheme based on service up to 31 January 2009 but with the link of their deferred benefits to their current salary levels maintained. The Welsh Assembly Government has agreed to meet the cost of any increases to members' deferred benefits to the extent that their salaries have increased by more than assumed in the most recent valuation of the BTB Scheme.

Arrangements were also made to deal with the Section 75 debt triggered by the withdrawal of the Welsh Assembly Government from the BTB Scheme on 31 January 2009. It was agreed that the debt would be dealt with by means of a payment to the BTB Scheme of £6,369,550 on or before 28 May 2010, together with an undertaking by the Welsh Assembly Government to pay further amounts dependant on the financial position of the BTB Scheme at future actuarial valuations. The first such additional payment (if required) would be due no earlier than March 2016.

The BTB 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 is in the process of carrying out a triennial valuation as at 31 March 2009 but the results of this are not yet available. However, the Actuary also performed an interim valuation for the purposes of the transitional disclosures which was based upon membership data at 1 April 2006, updated to 31 March 2008.

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

increases would average 2.65% per annum; and that pensions would increase in payment at 2.65% per annum.

The interim valuation showed that the value of the scheme's assets was £183.9 million and that the actuarial value of those assets represented 85% of the benefits that had accrued to members at that date, after allowing for expected future increases in earnings. The basis of valuation of the scheme's assets and liabilities for transfer purposes is not the same as that for IAS 19 purposes, and this is one of the topics under discussion with BTB scheme trustees.

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

### **37. Financial Instruments**

IFRS 7: Financial Instruments: Disclosure requires the Welsh Assembly Government to disclose information which will allow users of these financial statements to evaluate the significance of financial instruments on financial performance and position, and the nature and extent of its exposure to risks arising from financial instruments.

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

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

#### **Credit Risk**

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

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

#### **Market risk**

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

#### **Development Assets Valuation Movements**

The Department is able to mitigate against possible reductions in valuation by proactive planning and management of the sites. However, movements in market fluctuations are not possible to control. The Department also ensures that the expenditure budgets for the portfolio are managed

carefully to take in to account any reductions which result in reduced income availability from planned sales.

### Investment Risk

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

### Foreign Currency risk

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

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

### Interest rate risk

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

### Student loans

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

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

## Subsidiary interest rate risk

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

## **Liquidity risk**

The Welsh Assembly Government only borrows from the National Loans Fund, and relies primarily on funding received from Parliament via the Welsh Consolidated Fund for its cash requirements. There is no reason to believe that future funding will not be forthcoming, therefore on this basis it is not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency rate risk other than the risks arising from receipt of funds from the European Commission in Euros.