



Llywodraeth Cymru
Welsh Government

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Welsh Government Consolidated Annual Report and Accounts 2010-2011

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 2011, together with the Certificate and Report of the Auditor General for Wales thereon. Laid before the Assembly on 28 July 2011 pursuant to the Government of Wales Act Section 131.

Welsh Assembly Government

Consolidated Annual Report and Accounts 2010-2011

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An introduction from the Permanent Secretary

The Welsh Government has a fundamental principle at its heart: to enhance the economic, social and environmental wellbeing of people and communities in Wales, achieving a better quality of life for our own and future generations.

My job is to ensure that our Civil Service supports the Government in delivering its vision as efficiently and effectively as possible. I believe we performed very well against that challenge during 2010-11.

One of the most important things we do on behalf of Ministers is to get the maximum value we can for every pound of Welsh taxpayer's money. Against a very tough financial backdrop last year, Departments were asked to manage their budgets extremely carefully to minimise the risk of any under-spend while also guarding against the risk of breaching our financial responsibilities.

I'm pleased to say we were particularly successful in managing that difficult balance. Our final figures show a very narrow under-spend of just 0.14% against near cash resources and 0.20% against capital budgets.

We also took a very disciplined approach to managing our running costs. We engaged our whole workforce in an innovative approach to reducing what we spend and, as part of Managing with Less, we cut our costs across a range of key areas such as travel, overtime, ICT, stationery and printing. We reduced spend on these categories by more than £13m compared to the previous year. If you include the associated savings from our Programme budgets, this adds up to more than £20m.

Alongside squeezing every penny we could from Managing with Less, we also began a major programme of voluntary severance which saw 637 people accept terms before the end of March to leave the organisation. A further 295 accepted terms after 1 April to leave voluntarily in 2011-12 and we expect to stabilise our workforce at around 1,000 fewer people than we were at the beginning of 2010.

None of this has been easy and many people across the organisation have worked very hard to deliver it successfully. But I am confident that by acting early to take a very tight grip on our financial situation and by involving all the people who work for us in finding the best way forward, we are in a much healthier position than we might otherwise have been.

As well as managing our money effectively, the organisation also made significant strides in continuously improving our performance across a number of fundamental areas during the year. We laid the foundations for a more consistent and robust approach to business planning which will come to fruition in 2012. We have also done a considerable amount of work to improve the way we support Ministers with economic advice and options analysis.

Led by our Ministers, we worked very closely with our partners across all sectors in Wales to improve the way we join together to deliver better outcomes for our economy, for people and for communities.

Looking back, 2010-11 was very much a year of preparation. We didn't know during the year how the Welsh public would vote in the historic referendum on greater powers on March 3rd, but we knew that we would need to deliver for a new Government with around a thousand fewer people, across a smaller number of locations.

A huge amount of preparation work went on during the year to ensure we will have the joined-up, skilled organisation we need to deliver for Ministers over the next five years. I am confident that the progress we've made will stand us in very good stead for the challenges ahead.

Gill Morgan

The Welsh Government at a glance

The Welsh Government is the devolved government for Wales and, as such, has responsibility for a wide range of matters which affect people's lives including education, health, the environment, transport, the economy, culture and many local government issues.

It was formally established in 2007 under the Government of Wales Act 2006, which established a split of functions between the National Assembly for Wales (the legislature) and the Welsh Assembly Government (the executive). Ministers have since adopted the Welsh Government as its informal name to avoid confusion between the two institutions.

Led by the First Minister, Welsh Ministers are able to exercise their functions to take decisions on all areas devolved to them, developing and implementing policy, making subordinate legislation and proposing Assembly Measures (Welsh Laws). Following the Yes vote in the referendum on law making powers for the National Assembly on May 5, 2011 and the commencement of Part 4 of the Government of Wales Act, the future legislative programme will be made up of Assembly Bills.

'One Wales'

2010-2011 marked the final year of the Labour-Plaid Cymru coalition Government. The Government's programme was set out in "One Wales: A progressive agenda for the government of Wales" which was published on June 27, 2007. The document outlined the coalition Government's priorities under eight broad themes:

- 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.

The Cabinet

There were 10 Cabinet Ministers and 4 Deputy Minister posts during the financial year 2010-11:

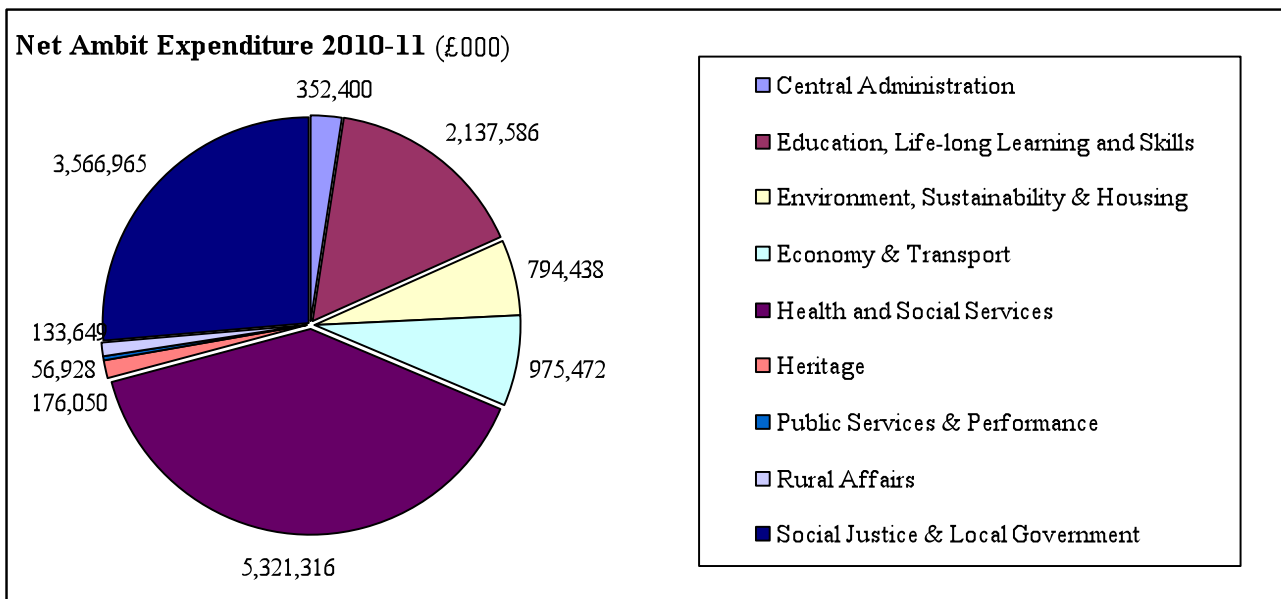
Carwyn Jones	First Minister
Ieuan Wyn Jones	Deputy First Minister and Minister for the Economy and Transport
Leighton Andrews	Minister for Children, Education and Lifelong Learning
Jane Davidson	Minister for Environment, Sustainability and Housing
Jane Hutt	Minister for Budget and Business

Carl Sargeant	Minister for Social Justice and Local Government
Edwina Hart MBE	Minister for Health and Social Services
John Griffiths	Counsel General
Elin Jones	Minister for Rural Affairs
Alun Ffred Jones	Minister for Heritage
Jocelyn Davies	Deputy Welsh Minister for Housing and Regeneration
Huw Lewis	Deputy Minister for Children
Lesley Griffiths	Deputy Welsh Minister for Science, Innovation and Skills
Gwenda Thomas	Deputy Welsh Minister for Social Services

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

What the Welsh Government spends

The Welsh Government spent more than £13bn on behalf of people in Wales during 2010-11. Spending was broken down across key areas of responsibility as shown in the pie charts below.



All activities are continuing for financial reporting purposes up to 31 March 2011.

The net operating cost against the ‘One Wales’ priorities was as follows:

	Year ended 31 March 2011 Net Expenditure	Year ended 31 March 2010 Net Expenditure
	£000	£000
Objectives:		
▪ Learning for Life	2,015,214	1,991,193
▪ A Healthy Future	5,352,478	5,264,144
▪ A Prosperous Society	786,191	849,677
▪ A Fair and Just Society	3,658,910	3,577,743
▪ Living Communities	436,944	451,231
▪ A Sustainable Environment	524,576	395,937
▪ A Rich and Diverse Culture	180,306	158,867
	12,954,619	12,688,792

Due to re-organisation changes Regeneration costs are included in ‘A Sustainable Environment’ in 2010-11, but were included in ‘A Prosperous Society’ in 2009-10.

Funding for the Welsh Government during 2010-11 was primarily provided by Parliament through the Welsh Consolidated Fund and by the European Union.

The accounts present the results of the Welsh Assembly Government for the year ending 31 March 2011 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:

Local Health Boards in Wales;
Finance Wales PLC;
Welsh Development Management Ltd;
Ryder Cup Wales 2010 Ltd;
Design Commission for Wales Ltd; and
Regeneration Investment Fund for Wales LLP

The accounting policies adopted by the 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. The Consolidated Statement of Net Expenditure (Page 37) records net comprehensive expenditure of £11,983,659,000 (2009-10 - £12,790,951,000). The net assets (Page 38) have increased by £1,115,815,000. This is mainly due to increases in the value of the roads network.

Movements in property, plant and equipment

Property, plant and equipment additions in the period (Note 9) were £497,676,000. These assets were re-valued in the period, resulting in a net increase in value of £969,899,000.

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 2011 the Welsh Assembly Government and its related bodies had financial assets (Note 11) totalling £1,695,853,000 comprising Public Dividend Capital of £123,220,000; Student Loans of £1,512,361,000; local authority loans of £10,505,000; property related investments of £13,114,000; interests in joint ventures of £16,719,000; loans of £2,730,000; and available for sale assets of £17,204,000.

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.

Auditors

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

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

Events since the end of the financial period

None.

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; the Local Health Boards operating in Wales; and various subsidiary companies.

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

Our management structure and governance

The Welsh Government Civil Service is led by the Permanent Secretary, Dame Gillian Morgan. She chairs the Strategic Delivery and Performance Board, made up of seven people at Director General (DG) level, each leading major areas of Government responsibility in support of Ministers. The Board also includes two Non Executive Directors who bring a wide range of experience and external scrutiny to its work.

The Board meets on a monthly basis to set strategic direction and ensure the organisation is performing effectively. The Board takes particular responsibility for assessing and mitigating the highest level corporate risks, supporting the Permanent Secretary in her role as Chief Accounting Officer and overseeing major organisational improvement and investment programmes.

The Board's approach to risk management is explained in our framework document, Risk Essentials, which sets out in detail the processes by which risks are identified and managed within the Welsh Government. Our system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Welsh 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, economically and effectively. Further detail on our risk management processes is contained in the Statement on Internal Control.

During the year, the Board was made up of:

Dame Gillian Morgan	Permanent Secretary
Clive Bates	Director General, Sustainable Futures
Bernard Galton	Director General, People, Places and Corporate Services
Gareth Hall	Director General, Economy & Transport (to 3 January 2011)
David Hawker	Director General, Children, Education, Lifelong Learning & Skills (to 31 August 2010)
Michael Hearty	Director General, Strategic Planning, Finance and Performance (from 23 August 2010)
June Milligan	Director General, Public Services and Local Government Delivery (from 7 January 2011; acting from 4 October 2010)
James Price	Acting Director General, Economy and Transport (from 4 January 2011)
Emyr Roberts	Director General, Public Services and Local Government Delivery (to 3 October 2010); Director General, Children, Education, Lifelong Learning & Skills (from 26 July 2010)
Paul Williams	Director General, Health and Social Services
Elan Closs Stephens	Non-Executive Director
James Turner	Non-Executive Director

*Titles for departments relate to 2010-11

Membership of each of the management boards within the Local Health Boards, and the subsidiary companies, are detailed in their individual accounts for 2010-11.

Sub-committees of the Board

The Board has two sub-committees to deal with key aspects of organisational business. The Corporate Governance Sub-Committee advises the Permanent Secretary in her capacity as Accounting Officer and, in particular, her responsibilities for risk management, audit, internal controls and corporate governance. This sub-committee is chaired by a Non-Executive Director and attended by the Permanent Secretary. The Remuneration Sub-Committee is responsible for Senior Civil Service (SCS) pay and conditions, senior succession planning and recruitment, and all SCS personal cases. The sub-committee is chaired by a Non-Executive Director and attended by the Permanent Secretary.

The Board also establishes ad-hoc groups to deliver key corporate priorities.

The Operations Group

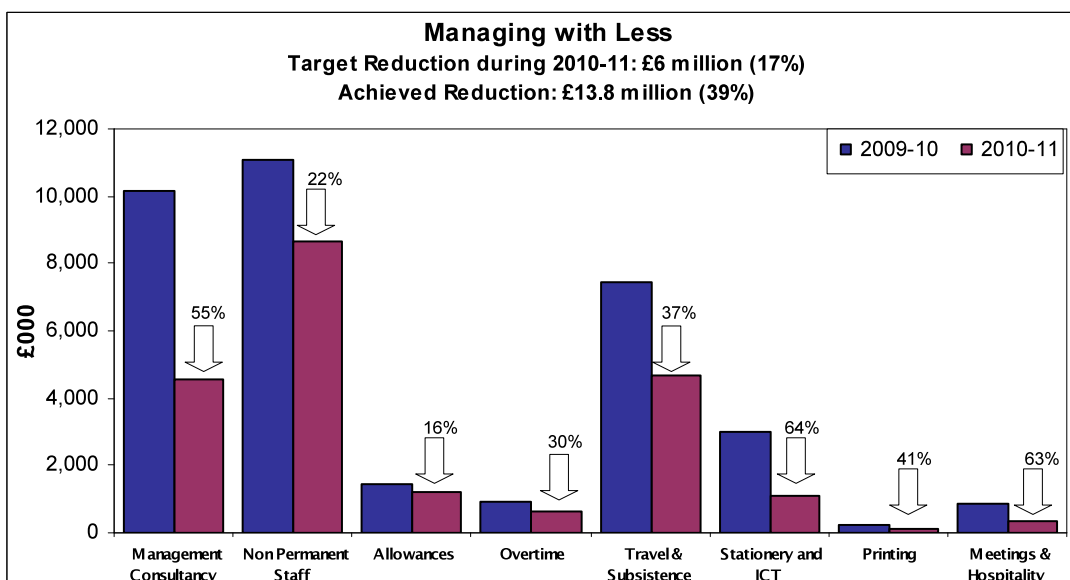
The Operations Group was set up to ensure the strategic decisions made by the Board are operationalised on a day-to-day basis across the organisation. The Group is chaired at Director level on a fixed term basis. It includes senior representatives from every DG area to ensure that the organisation is able to take joined up action to improve the way we operate.

The Group commissions and monitors a range of management information and data on aspects of our organisational performance, including data on issues such as staffing levels, sickness absence, security and efficiency savings. It also has an important role in ensuring that organisational improvement and change are well planned and implemented.

One of the key areas of work steered by the Operations Group during 2010-11 was Managing with Less. This was an organisation-wide drive to save money so that we are able to make the target £42m reduction in the budgets we have for running the organisation over three years.

Managing with Less involved every senior manager in the Welsh Government being asked to hold discussion sessions with their teams about the financial pressures facing us. They were also asked to engage people in coming up with innovative ideas for saving money or improving the way we work. We also launched an online discussion forum, Re:New to encourage innovation and develop some of the best ideas that came forward.

As a result of the suggestions received from teams, the Board decided to take immediate action in ten key areas of spending. Operations Group was asked to monitor progress and provide challenge across departmental areas to ensure savings were kept on track. Managing with Less has delivered savings from our administration budgets of more than £13m this year.



Senior appointments and remuneration

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

Members of the Board at Director General level are appointed at the discretion of and by the Permanent Secretary. Civil Service Commissioners chair all openly recruited interview panels for Directors General.

All these appointments are for an indefinite period 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 managers within the Local Health Boards and subsidiary companies are detailed in their individual accounts for 2010-11.

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.

Improving our performance: Enabling Government

Our performance matters because we want to deliver better results for people in Wales. Our goal is to be one of the best performing public sector organisations in the UK.

To help us reach that goal we have developed a framework for continuously improving the organisation, called Enabling Government. The framework is structured around our three organisational Values: Delivering Results, Valuing People and Achieving Excellence.

We began Enabling Government in autumn 2008 and have made substantial progress on a number of priority areas over that time. Our major improvement programmes during 2010-11 included:

- The introduction of a new financial management system which has improved our ability to manage resources and is now enabling us to strengthen our approach to procurement and purchasing.
- The People and Places Programme which focused on embedding and extending our work to support professional development internally and across the wider Welsh public sector.
- A programme of ICT-enabled business change which focused on improving our programme and project management, brought a more vigorous approach to managing our ICT spend and kick-started some essential work which will enable us to deliver more services online.
- A knowledge management programme which has enabled us to redevelop our Intranet and move our records online.
- A programme to improve the way we manage legislation – more critical than ever now that our Ministers have enhanced powers following the referendum in May.
- A range of projects designed to help us improve the way we engage with members of the public, partner organisations and colleagues to develop better policies and services and more innovative approaches to the way we work.

We also invested considerable effort last year in developing our leadership and management capabilities, continuing our commitment to a more distributed model of leadership. All managers at team leader level and above were engaged in a programme of engagement and development through our Leadership Forum and

Leadership Network events. These events are designed to keep everyone up to date with developing Government priorities and engage managers in improving how we work across Departments.

Our role as an employer

During 2010-11 we began a major exercise to reduce our staff numbers as an essential part of the action we're taking to enable us to live within reduced running cost budgets.

Alongside tight controls on external recruitment, we introduced a Voluntary Exit Scheme and as a result staffing levels reduced by 637 during the year - almost 10%. We expect further substantial reductions during 2011-12.

Overall, combined reductions through voluntary exits will result in annual savings in excess of £16 million.

Although we are becoming a substantially smaller organisation, we maintain our commitment to Valuing People – one of our core organisational Values. In fact, as a smaller and leaner organisation our people are more important than ever. Our role in delivering the Government's priorities for people in Wales over the next five years means that we need skilled, flexible and committed members of staff who can provide excellent support to Ministers and deliver effectively for people in Wales.

We make a significant investment in our learning and development programme to ensure that our employees receive the appropriate training, development and support to allow them to fulfil both their career aspirations and their responsibilities as an employee.

We also have in place an infrastructure which aims to ensure the health, safety and welfare of our staff whilst in work and provides support to them, as far as practicable, to cope with pressures both inside and outside of work.

Our flexible working practices encourage people to use their annual leave allowance in-year, reducing future financial liabilities, stress levels and sickness absence.

Everyone who joins the Welsh Government is given the opportunity to join our occupational pension scheme. The Permanent Secretary is required to provide confirmation on an annual basis that we administer the Principal Civil Service Pension Scheme (PCSPS) arrangements in line with Cabinet Office requirements. This was completed successfully in April 2011.

As part of our continuous improvement work we successfully implemented the provision of electronic pension statements to all staff in the PCSPS arrangements last year. We continue to work with a number of other pension schemes, which stem from machinery of government changes, including ensuring appropriate funding and voluntary transfers between pensions schemes.

Encouraging engagement and involvement

We want everyone in the organisation to feel that they have a vested interest in improving the way we work so that we can deliver better results for people and communities in Wales.

We have developed a number of internal channels to enable people to get involved and put ideas for improvement forward. As well as the discussion sessions held as part of Managing with Less, we also encourage people to submit and comment on ideas for improving the way we work through Re:New, our on-line discussion forum.

Directors General take part in a wide range of discussion sessions and Q&A opportunities across Wales throughout the year and the Permanent Secretary holds regular open 'drop-in' sessions for people who prefer to raise issues in smaller groups.

We have run an annual staff survey for a number of years to help us understand what people think about working for the Welsh Government and in 2010 we joined the Civil Service People Survey for the first time so that we can benchmark ourselves against other organisations across the public sector.

With an overall ‘engagement score’ of 57% we scored slightly above the benchmark despite the fact that we started taking action on efficiencies through Managing with Less much earlier than comparable organisations. Of the 56 questions that can be compared to the benchmark, our scores were higher in 35 questions, lower for 17 and the same for four questions.

Some of our key strengths were people taking a real interest in their work and the high numbers feeling they have the skills they need to do their jobs effectively (91% and 89% respectively). We also scored very well on employees feeling respected at work and people feeling that their pay and benefits adequately reflected their performance.

Although our scores were strong in a wide range of areas, we have identified several opportunities for improvement in 2011-12. These include improving our management of change, where we haven’t always adequately explained the need for changes before we’ve made them or kept people engaged throughout the process.

In July 2009 we signed another agreement with our recognised Trade Unions. This agreement builds on the excellent working relationship that already exists between management and Unions in our organisation and confirms the continued commitment by both to work together in a spirit of partnership on all matters of common interest.

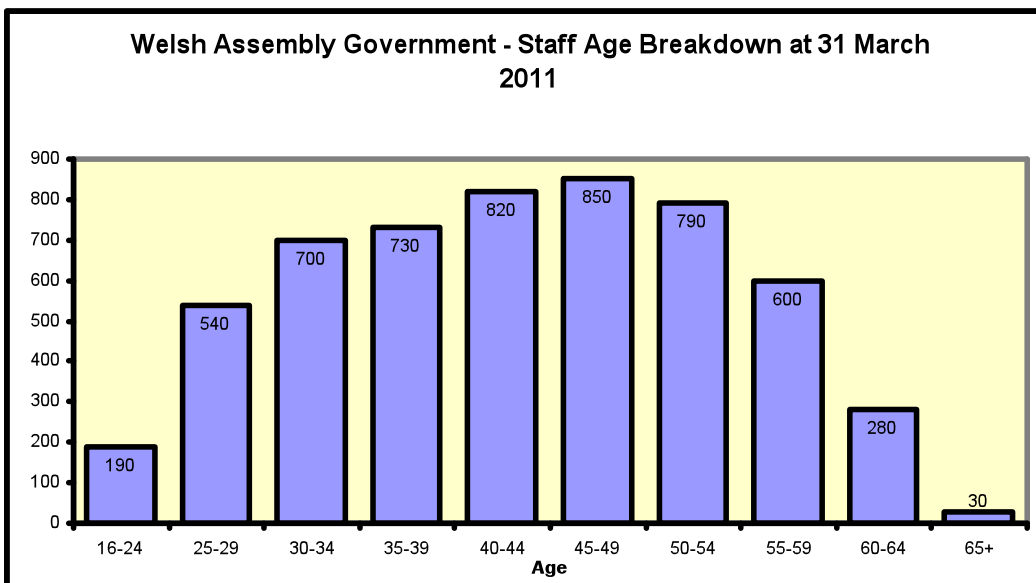
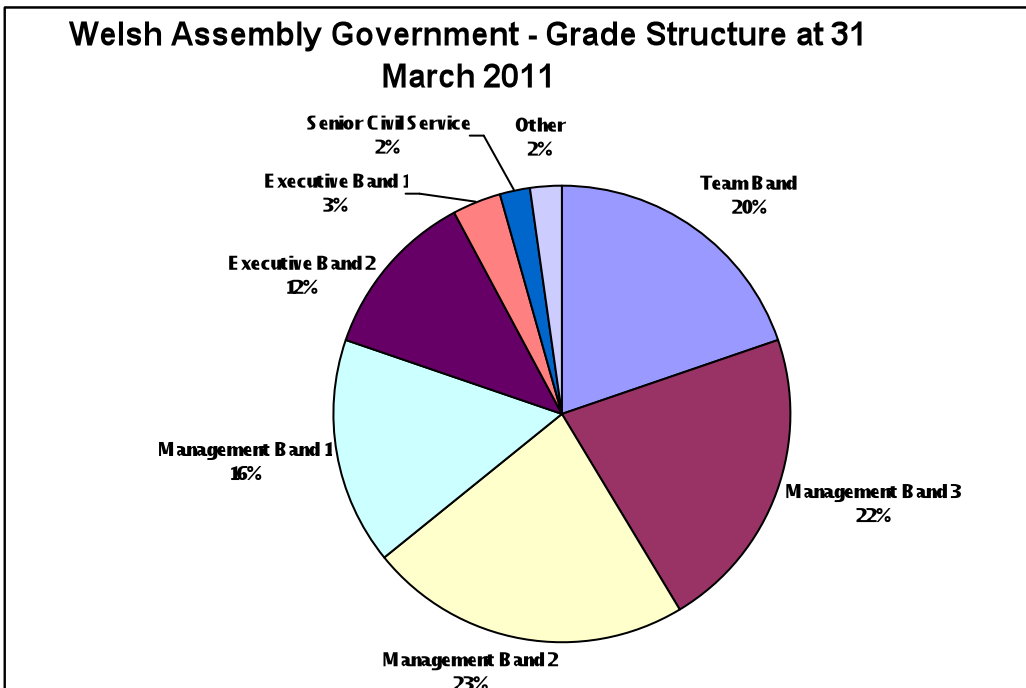
Located close to the people we serve

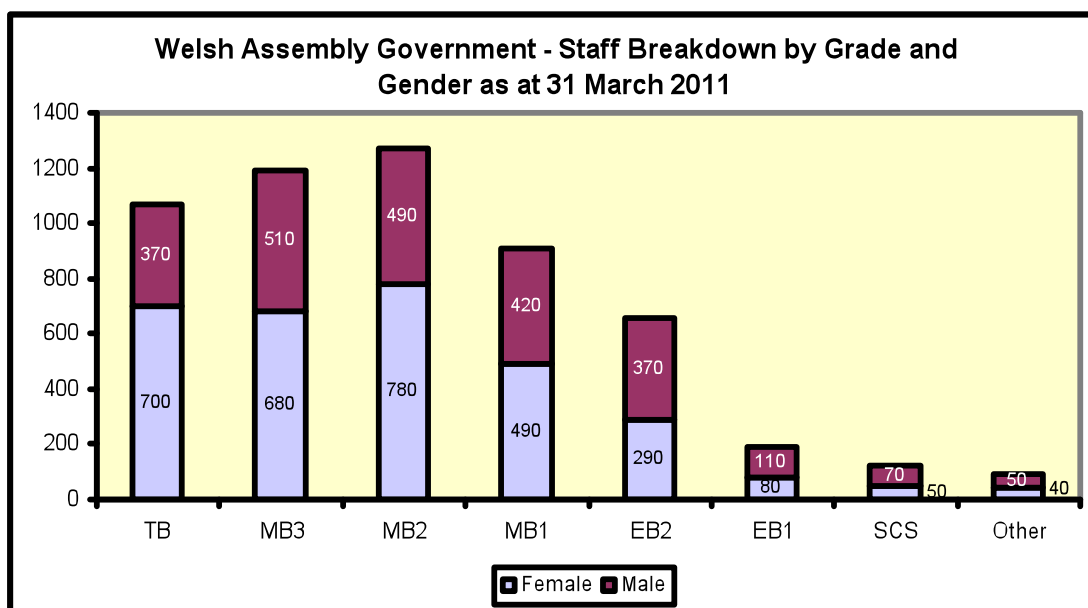
The Welsh Government remains committed to locating our people close to the communities we serve.

In 2010-11 we developed a new, five year estates strategy which will improve the efficiency of our existing buildings and deliver savings through rationalisation and improved utilisation, as well as encouraging flexible working.

The strategy will strengthen our focus on centralising services in major regional ‘hubs’, reducing the number of satellite offices and generating long-term savings, including greenhouse gas emissions.

The strategy will identify opportunities to work more collaboratively with public sector partners in Wales to make the best use of the space we have available. We will also continue to develop the potential of our recently constructed, sustainable office premises in Aberystwyth and Llandudno Junction.





Welsh Assembly Government - Staff Diversity Breakdown

		TB	MB3	MB2	MB1	EB2	EB1	SCS	Other	Total
Gender	Female	700	680	780	490	290	80	50	40	3,110
	Male	370	510	490	420	370	110	70	50	2,410
Ethnicity	Other Ethnicity	30	20	30	20	20	*	*	*	120
	White	950	1,110	1,160	840	600	180	110	70	5,020
	Prefer Not to Say	30	50	50	40	30	10	10	*	220
	No Reply	60	20	20	20	20	10	10	20	160
Disability	Disabled	50	60	60	30	20	*	10	*	240
	Non-Disabled	910	1,070	1,140	800	580	180	110	70	4,850
	Prefer Not to Say	40	40	50	60	40	10	*	0	230
	No Reply	70	20	30	20	20	10	10	20	190
Belief	Other Belief	220	230	210	160	120	30	30	20	1,000
	Christianity	450	480	580	410	290	100	50	50	2,430
	Prefer Not to Say	330	450	450	320	220	50	40	10	1,850
	No Reply	70	30	40	30	20	10	10	20	230
Sexual Orientation	Other Sexuality	30	30	30	30	10	10	*	*	130
	Heterosexual	820	970	1,030	700	500	160	100	60	4,340
	Prefer Not To Say	140	160	180	160	120	20	10	10	810
	No Reply	80	30	40	30	30	10	10	20	240

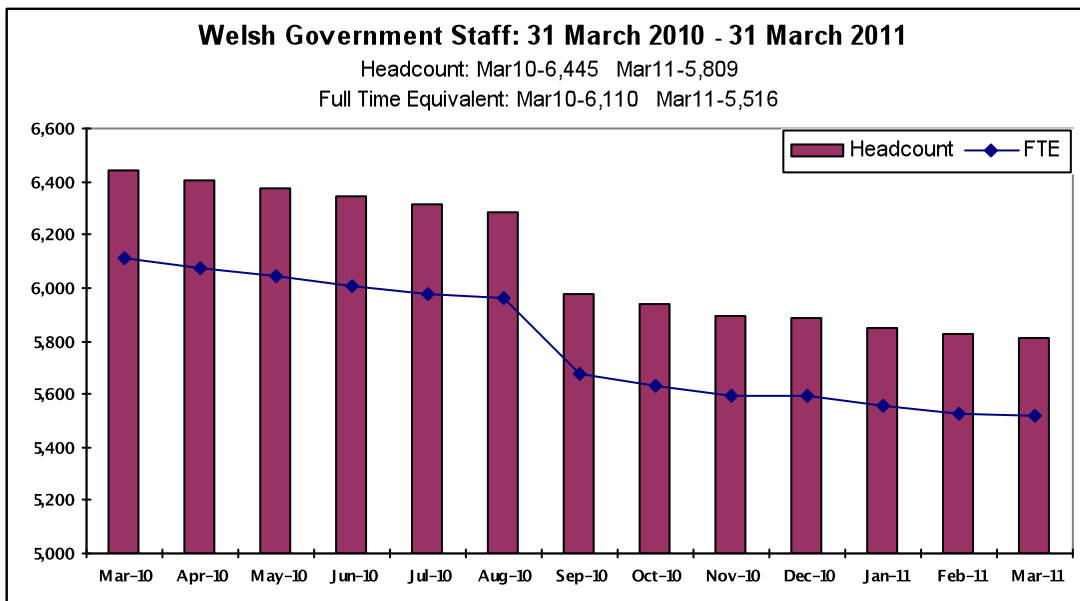
Note: All figures rounded to preserve confidentiality. Those marked with * are numbers less than 10.

Sickness Data

Welsh Government - Sickness Absence

	2009-10	2010-11
Days Lost (Short Term)	26,808	22,504
Days Lost (Long Term)	23,739	21,161
Total Days Lost (12 Month Period)	50,547	43,665
Total Staff Years	6,395	5,790
Total Staff Employed In Period (Headcount)	6,846	6,594
Total Staff Employed In Period With No Absence (Headcount)	2,600	2,711
% Staff With No Sick Leave	38%	41%
Average Working Days Lost (AWDL)	7.9	7.5

Graph on staff reductions



Working sustainably, operating fairly

The Welsh Government has sustainable development as its central organising principle. The organisation does everything it can to ensure that decisions are taken in an integrated, joined-up way to achieve the Government's vision of a sustainable Wales. This is reflected in key policies such as our innovative Education for Sustainable Development and Global Citizenship Programme, our Green Jobs strategy and our ambition to become a low carbon, low waste nation.

Our commitment to sustainability also applies to the way we manage our own estate. In 2010/11 we continued to invest in carbon reduction projects and renewals through our Carbon Management Programme, and successfully registered with the UK-wide Carbon Reduction Commitment Energy Efficiency Scheme. This was in addition to projects with energy efficiency aspects funded through the Estate Capital Works Programme.

The Welsh Government was also successfully certified to level 5 Green Dragon status in 2010/11 for our entire administrative estate. Green Dragon teams were established in 20 offices covering 80% of the estate's Net Internal Area.

On 15 December 2010, we were awarded Level 1 of the prestigious Carbon Trust Standard across the administrative estate. The certification is granted to those organisations that have not only reduced their carbon footprint but are also dedicated to making further reductions year on year.

The Welsh Government has continued to support the 10:10 campaign in 2010/11 and aims to reduce its carbon emissions by 10% by June 2011.

Sustainable procurement

The Sustainable Procurement Assessment Framework (SPAF) provides the Welsh Government and the public sector in Wales with a tool that enables them to benchmark their performance in terms of sustainable purchasing, and produce an action plan for improvement. The framework encourages the public sector to make purchasing decisions that take account of the broadest value for money considerations which include:

- Impacts on the economy in Wales
- Impacts on Welsh society
- Impacts on the environment

The tool has five levels of competence and the Welsh Government has undertaken annual assessments of its performance against the SPAF since 2006. The most recent assessment was undertaken in December 2010 with the organisation improving against 14 of the 24 criteria and achieving an overall score of a very good level 3.

Operating fairly and transparently

The Welsh Government has formally adopted a Code of Practice on Access to Information and a publication scheme. The Code underlines our commitment to openness, sets out the principles that we follow and also how we will respond to requests for information such as Freedom of Information requests.

We continue to proactively publish a wide range of information – including Ministerial Decision Reports and papers associated with the work of the Cabinet. During 2010-11, we received 827 requests for information, and information was provided in response to 75% of the resolvable requests. No information was held in relation to 11% of the resolvable requests. We have maintained a comprehensive log of responses issued on our website.

We aim to proactively publish as much information as possible to help people understand how we run our organisation and what we spend on doing it. This includes information on our staffing, expenses, buildings and more. This is all available on our website.

We are also committed to treating our suppliers and contractors fairly. Under the Late Payment of Commercial Debts (Interest) Act 1998, we are required to pay suppliers' invoices not in dispute within 30 days of receipt of goods or services or valid invoice, whichever is the later.

Our policy is to pay purchase invoices immediately on satisfactory receipt of goods or services. During the year ending 31 March 2011, records from across the Welsh Assembly Government showed that 99 % of invoices were paid within 30 calendar days, and 95% were paid within 10 calendar days. The public sector benchmark 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 the Local Health Boards, and subsidiaries are disclosed in their respective accounts.

Our commitment to the Welsh language

On 29 March 2011 the Welsh Language Board approved the Welsh Government's new Welsh language scheme. It describes how the Government will give effect, so far as is both appropriate in the circumstances and reasonably practicable, to the principle established by the Welsh Language Act 1993 that, in the conduct of business and the administration of justice in Wales, the Welsh and English languages should be treated on a basis of equality whenever we provide services to the public in Wales.

The scheme is supported by Welsh Language Action Plans developed by each Director General area, which ensures that the scheme's commitments are mainstreamed into their work. In addition, each DG area is required to contribute to the Welsh Government's annual report on compliance with the scheme, with a focus on policy and service development, promoting the use of Welsh and influencing the use of Welsh by third parties as grants and contracts are awarded.

Each Director General area has a bilingual services coordinator, responsible for driving forward compliance with the scheme.

In addition, during 2010/11 the Government introduced its Welsh Language (Wales) Measure, which received Royal Approval in February 2011. It also consulted on a new Welsh Language Strategy between December 2010 and February 2011. Development of the strategy continues.

Going forward

Over the next five years the organisation has a very big job to do in delivering the Cabinet's priorities for people in Wales, including a new programme of legislation.

Our priority is to support Ministers as effectively as possible, focusing everything we do on creating positive outcomes for people and communities and being able to measure and demonstrate what we've delivered.

We will need to achieve that with around 1000 fewer people working for the Welsh Government than we've had in the past.

To help us meet that challenge we have refreshed the Enabling Government improvement framework to focus on three priority areas: Effectiveness, Efficiency and Renewal. Behind the framework an action plan outlines the key activities across the organisation which will contribute to achieving the improvements we need and the business owners or projects with responsibility for delivery.



Taking pride in what we do

Celebrating achievement and recognising success are very important to us. We believe that by sharing best practice and encouraging people to learn from each other we can help improve our whole organisation.

In 2010 we ran our Awards scheme for the second time. The Awards are designed to recognise achievements and successes in a variety of forms, including customer service that exceeds expectations, excellence in leadership and collaboration.

We have received a number of accreditations for our work as an employer. These achievements underline our commitment to equality, and providing the working conditions, support and training our staff need to develop. We are very proud of these achievements and will strive to build on them in the future.

We currently hold a Silver Status accreditation from Investors in People, and were the first mainstream government organisation in the UK to achieve it. Our commitment to developing people has also been recognised at UK Government level. The Skills Strategy for Government was agreed in January 2008 by all

central government employers. A peer review panel met in 2010 to assess progress by all government departments and devolved administrations. The Welsh Government scored an unprecedented maximum points in all areas of our Skills Strategy approach by a peer review panel.

We are also proud to be ranked as amongst the top 100 gay friendly employers in the Stonewall Workplace Equality Index 2009. The Welsh Government is the 3rd ranked organisation in Wales and 63rd in the UK overall

Contacts and further information

You can find out more about the Welsh Government on our website (insert link)

email: <http://wales.gov.uk/?lang=en>

email: wag-en@mailuk.custhelp.com

Phone:

- English: 0300 0603300 or 0845 010 3300
- Welsh: 0300 0604400 or 0845 010 4400
- International enquiry number: (+44) 1443 845500

Post:

You can contact the Welsh Government at the following address:

Welsh Government
Cathays Park
Cardiff
CF10 3NQ

You can write to Ministers at:

Minister for.....
Welsh Government
5th Floor
Tŷ Hywel
Cardiff Bay
CF99 1NA

Dame Gillian Morgan
Permanent Secretary and Principal Accounting Officer
25th July 2011

REMUNERATION REPORT 2010-11

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

Until April 2009 the basic salary of Assembly members was directly linked to that of Members of Parliament. Following the report 'Getting it Right for Wales' published in July 2009, that link was broken with future financial support, including salaries available to Assembly Members being set by an independent Remuneration Board

Current salary rates were confirmed by the National Assembly for Wales Commission in The National Assembly for Wales (Assembly Members and Officers) (Salaries) Determination September 2010.

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

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments, which are open-ended. 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 Commission can be found at www.civilservicecommission.org.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 2010-11.

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.

	2010-11	2009-10
Ministers	Salary £	Salary £
Carwyn Jones <i>First Minister</i>	132,298	105,410 (131,463 full year equivalent)
Ieuan Wyn Jones <i>Deputy First Minister</i>	94,544	93,753
Jane Davidson <i>Welsh Minister</i>	94,544	93,753
Edwina Hart MBE <i>Welsh Minister</i>	94,544	93,753
Jane Hutt <i>Welsh Minister</i>	94,544	93,753
Elin Jones <i>Welsh Minister</i>	94,544	93,753
Alun Ffred Jones ¹ <i>Welsh Minister</i>	89,063	89,063
Carl Sargeant <i>Welsh Minister</i>	94,544	28,983 (93,753 full year equivalent)
Leighton Andrews <i>Welsh Minister</i>	94,544	83,336 (93,753 full year equivalent)
John Griffiths <i>Counsel General</i>	94,544	83,650 (93,753 full year equivalent)
Jocelyn Davies ¹ <i>Deputy Welsh Minister</i>	77,081	77,081
Huw Lewis ² <i>Deputy Welsh Minister</i>	79,448	24,321 (78,674 full year equivalent)
Lesley Griffiths <i>Deputy Welsh Minister</i>	79,448	24,321 (78,674 full year equivalent)
Gwenda Thomas ¹ <i>Deputy Welsh Minister</i>	78,222	77,465

¹ Did not draw full Members Salary

² Includes £2,916 salary sacrificed in respect of childcare vouchers

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.

	2010-11		2009-10	
Officials	Salary	Bonus payments ⁴	Salary	Bonus payments ⁴
	£000	£000	£000	£000
Dame Gillian Morgan ¹ <i>Permanent Secretary</i>	160-165	-	160-165	-
Paul Williams ² <i>Director General</i>	190-195	-	200-205	-
Bernard Galton <i>Director General</i>	130-135	5-10	130-135	5-10
David Hawker <i>Director General (to 31/08/10)</i>	60-65 (140-145 full year equivalent)	-	140-145	5-10
Emyr Roberts <i>Director General</i>	130-135	-	130-135	5-10
June Milligan <i>Director General (from 07/01/2011; acting from 04/10/2010)</i>	50-55 (130-135 full year equivalent)	5-10	-	-
Gareth Hall <i>Director General (to 03/01/11)</i>	105-110 (140-145 full year equivalent)	-	140-145	5-10
James Price <i>Director General (from 04/01/11)</i>	25-30 (100-105 full year equivalent)	-	-	-
Michael Hearty <i>Director General (from 23/08/10)</i>	80-85 (130-135 full year equivalent)	-	-	-
Clive Bates <i>Director General</i>	130-135	-	130-135	-
Elan Closs Stephens <i>Non-Executive Director</i>	10-15 ³	-	10-15	-

	2010-11		2009-10	
Officials	Salary £000	Bonus payments ⁴ £000	Salary £000	Bonus payments ⁴ £000
James Turner <i>Non-Executive Director</i>	10-15	-	10-15	-

¹ Permanent Secretaries decided not to accept individual non-consolidated performance related pay awards (bonuses) in relation to the 2008-09 and the 2009-10 performance years.

² Paul Williams was seconded until 01/2/11 from Abertawe Bro Morgannwg University LHB, and was then employed by Welsh Assembly Government and took his pension from this date.

³ Elan Closs Stephens received separate payment of £7,700 in respect of work undertaken as Chair of the Anglesey Recovery Board

⁴ Figures in this column relate to Senior Civil Service variable payments. These are contractual performance related variable pay.

Salary

‘Salary’ includes gross salary; 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 contractually entitled to be considered for a performance related variable payment. Any payments made are paid at the end of July each year. It is the role of the Senior Civil Service Remuneration Committee to apply the UK senior pay policy and approve any awards, assessing the relevant contributions and performance of Senior Civil Servants during the year. This Remuneration Committee consists of the Permanent Secretary, a Senior Director and two non-executive Directors. Variable payments are based on performance levels attained and are made as part of the appraisal process. The variable payments reported in 2010-11 relate to performance in 2009-10.

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 were for Clive Bates £ nil (2009-10: £8,000) and Michael Hearty £4,683.

Pension Benefits

Ministers	Accrued pension at age 65 as at 31/3/11	Real increase in pension at age 65	CETV at 31/3/11	CETV at 31/3/10	Real increase in CETV
	£000	£000	£000	£000	£000
Carwyn Jones <i>First Minister</i>	25-30	0-2.5	314	266	13
Ieuan Wyn Jones <i>Deputy First Minister</i>	25-30	0-2.5	543	491	31
Jane Davidson <i>Welsh Minister</i>	25-30	0-2.5	348	338	21
Edwina Hart MBE <i>Welsh Minister</i>	30-35	0-2.5	517	447	22
Jane Hutt <i>Welsh Minister</i>	30-35	0-2.5	647	587	25
Elin Jones <i>Welsh Minister</i>	20-25	0-2.5	241	200	14
Alun Ffred Jones <i>Welsh Minister</i>	10-15	0-2.5	183	144	22
Carl Sargeant <i>Welsh Minister</i>	10-15	0-2.5	135	104	14
Leighton Andrews <i>Welsh Minister</i>	25-30	0-2.5	448	384	23
Jocelyn Davies <i>Deputy Welsh Minister</i>	15-20	0-2.5	258	214	18
John Griffiths <i>Counsel General</i>	15-20	0-2.5	259	211	21
Gwenda Thomas <i>Deputy Welsh Minister</i>	15-20	0-2.5	258	232	18
Huw Lewis <i>Deputy Welsh Minister</i>	15-20	2.5-5	259	192	11
Lesley Griffiths <i>Deputy Welsh Minister</i>	10-15	0-2.5	132	102	13

	Accrued pension at pension age as at 31/3/11 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/11	CETV at 31/3/10	Real increase in CETV
	£000	£000	£000	£000	£000
Officials					
Dame Gillian Morgan <i>Permanent Secretary</i>	105-110	0-2.5	1,464	1,341	6
Bernard Galton <i>Director General</i>	55-60 plus lump sum of 170-175	0-2.5 plus lump sum of 0-2.5	1,122	1,035	-4
David Hawker <i>Director General</i>	5-10	2.5-5	123	73	41
Emyr Roberts <i>Director General</i>	45-50 plus lump sum of 135-140	0-2.5 plus lump sum of 0-2.5	812	745	2
June Milligan <i>Director General</i>	40-45 plus lump sum of 120-125	0-2.5 plus lump sum of 5-7.5	685	597	37
Gareth Hall <i>Director General</i>	55-60	0-2.5	923	846	1
James Price <i>Director General</i>	20-25	0-2.5	178	152	9
Michael Hearty <i>Director General</i>	40-45 plus lump sum of 120-125	2.5-5 plus lump sum of 7.5-10	715	639	55
Clive Bates <i>Director General</i>	5-10	2.5-5	64	31	27

The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/3/10 and 31/3/11 have both been calculated using the new factors, for consistency. The CETV at 31/3/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

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 Pensions Increase legislation. Members joining from 1 October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with an 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 Pensions Increase legislation. 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.gov.uk/my-civil-service/pensions/index.aspx

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 worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction in benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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
25th July 2011

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 2011 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 expenditure 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 (FRoM), 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 FRoM 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 Permanent Secretary is 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 These appointments do not detract from the Permanent Secretary's overall responsibility as PAO for the Welsh Assembly Government accounts.
- 7 The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records, for safeguarding the Welsh Assembly Government's assets, and for taking reasonable steps to prevent and detect fraud and other irregularities, are set out in the Welsh Assembly Government Accounting Officers' Memorandum, issued by the Treasury.
- 8 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 2010-11

Scope of Responsibility

As Principal Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Welsh 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 Welsh 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 Government's Strategic Delivery and Performance Board (SDPB) which considers strategic policy and management issues;
- Corporate Governance Committee, chaired by a Non-Executive Director, reporting to the SDPB and advises on risk management, audit, internal controls and corporate governance;
- A Remuneration Committee, chaired by a Non-Executive Director, reporting to the SDPB and responsible for Senior Civil Service pay and conditions and senior succession planning and recruitment;
- An Operations Group comprised of senior officials tasked with running internal business more efficiently;
- A Finance Network comprising central and DG Heads of Finance to provide greater co-ordination and collaboration of business planning and budgetary control,
- 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;
- the role of Operations Teams in supporting Additional Accounting Officers which have grown in strength;
- provision of training for Accounting Officers and for all staff exercising financial responsibilities; and
- provision of training for Non-Executive Directors.

As allowed for in s133 (2) of the Government of Wales Act 2006, I have designated Directors General (DGs) with responsibility for programme expenditure as Additional Accounting Officers (AAO).

These responsibilities are set out in a formal memorandum and strengthen corporate governance and accountability 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 each department and the associated assurance processes. There are mechanisms in place which ensure effective communication between departmental corporate governance committees and the Welsh Government's overarching corporate governance committee. These arrangements include training, frequent interaction and reporting between the committee chairs.

The Welsh Government delivers its aims and objectives in partnership with Welsh Government Sponsored Bodies (WGSBs), subsidiary companies and other public bodies. Accounting officers appointed to 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. The Accounting Officers of these bodies participate in training sessions arranged by the Welsh Government, and I meet them and their Chairs on a regular basis.

Their relationship with the Welsh Government is defined in the respective framework document in place with each sponsored body. Following a review of the governance arrangements for our sponsorship of these bodies, all framework documents have been or are currently being reviewed. A set of governing principles has been agreed and are being reflected in the revised framework documents with each body.

I, however, retain overall responsibility for ensuring that appropriate internal controls are in place.

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 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 Government for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with HM Treasury guidance.

Capacity to Handle Risk

As Principal Accounting Officer, I have taken personal responsibility for improving the Welsh 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, and business areas have consulted my Risk Improvement Manager for advice on specific issues. There is a risk management area on the Welsh Government's intranet site, which acts as the focal point for written advice, guidance and good practice on risk management.

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

- ensure that the Welsh Government's objectives are not adversely affected by significant risks that have not been anticipated;
- ensure achievement of outputs and outcomes and provide reliable contingency arrangements to deal with the unexpected which might put service delivery at risk;
- promote a more innovative, less risk averse culture in which the taking of appropriate risks in pursuit of opportunities to benefit the Welsh Government is encouraged;
- provide a sound basis for integrating risk management into our day to day decision making; and
- 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 Government. This is currently being reviewed, and the updated version will include more detailed guidance on "Risk Appetite". It is important that the Welsh Government is not unduly risk averse and, in pursuit of its objectives, is prepared to take risks which have been properly assessed, evaluated and managed. This will ensure more effective exploitation of opportunities as they arise whilst accepting that some failures might occur.

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. Each department assigns risks to those officials who have knowledge of the issues and can best manage risk and mitigate their potential impact.

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 Government;
- departmental risk registers – showing key risks across all areas of the Welsh 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 SDPB's Corporate Governance Committee and each of the DG Corporate Governance Committees monitor the operation and effectiveness of risk management processes; and
- the establishment of Information Asset Owners (IAO) responsible for identifying and managing information within each department and addressing information risks as they are identified.

Our awareness and 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 courses;
- 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, standard templates, guidelines;
- raising awareness of risk management with Welsh Ministers;
- linking risk to the Welsh Government's Operational Plan and ultimately to the programme of government;
- health and safety risk assessments, which are being embedded in divisional and departmental activity; and
- oversight of the Welsh Government's compliance with statutory functions by my Corporate Governance Committee.

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

Developments to improve the Control Framework

Enabling Government is a simple framework which sets out what we are doing to help us achieve our vision. It is based on three values: valuing people, delivering results and achieving excellence. This year we have taken a different approach to renewing the framework by making it simpler and longer-term. The new framework shows our top priorities for improving the organisation in the next 3-5 years. Behind the framework we are developing an action plan. This will involve investing in a portfolio of projects designed to improve process, achieve efficiencies, achieve compliance and deliver better value for money. Our approach in the management of the Enabling Government Portfolio has been further strengthened by the creation of a Programme and Project Management Office.

The programmes currently underway are:

- the Grants Management project to establish an effective and sustainable grant management framework;
- the roll out of IShare, our electronic records and document management system which will be available to all staff by early next year;
- the People project which will deliver a new system bringing together HR, payroll, performance and skills data and be linked with our financial system;
- the Online Services project to enable businesses and citizens to complete transactions with the organisation online.

The IDEAS Programme previously funded under this initiative, has made a significant impact on modernising the systems that support planning, finance, procurement and performance within the Welsh Government, and was formally closed during the year. As planned, further development has transitioned into "business as usual." This follows a review which considered the progress made by the IDEAS programme to date and on what steps the organisation needed to take in order to consolidate current functionality.

Towards the end of last year, we commissioned a CIPFA FM review of the financial management capabilities within the Welsh Government utilising the CIPFA Financial Management Toolkit. The findings of this review are beginning to emerge and any resulting actions will be taken forward to improve financial management across the organisation together with actions in response to the issues raised in the earlier joint report by the Wales Audit Office and Internal Audit Services on budget management and control.

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 Welsh 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) (ECC(W)) is a facility established by the Welsh 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 Welsh Government, in conjunction with the 4 Police Forces, have established 3 dedicated Strategic Co-ordination Centres (SCCs) based in North, South and West Wales. These centres and the ECC(W) will be fully interconnected with ICT equipment by the summer of 2011. The SCCs give the space and technology for the emergency services, local government and any other responders to co-ordinate their response to emergencies at the local level. The ECC(W) links into the 3 SSCs, UK Government Departments and the other Devolved administrations.

The Welsh Government Communications Division acts as a link between the local media and the UK Government's News Co-ordination Centre to provide consistent public messages at all levels.

One year in, our Head of Counter Fraud has strengthened our policies, procedures and investigative capability for fraud. The workload has increased as we would have expected and several cases referred to the police are under investigation whilst others have been successfully prosecuted. The introduction of Fraud and Corruption Risk Assessments has established the foundations for compliance with the Bribery Act; and enhanced the identification and management of our risk to fraud. The Counter Fraud preventative measures although in the early stages of development have been recognised at National level by the Cabinet Office Fraud Task Force and the National Fraud Authority. There are further developments planned to enhance our controls for fraud and corruption. These include working with the Grants Project Team, improving our preventative measures and increasing awareness.

In March this year I commissioned an independent review of corporate governance arrangements in the then Department for Economy and Transport. This work was commissioned in response to concerns about the handling of the Technium programme, and in particular whether the recommendations of an earlier internal audit report had been fully implemented. I will ensure that the recommendations of the independent review are implemented and that an action plan is put in place to secure any required improvements.

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 Government who have responsibility for the development and maintenance of the internal control framework, and for acting on comments made by the external auditors in their management letter and other reports. I have been advised of the implications of the result of my review of the effectiveness of the system of internal control by the SDPB and the Corporate Governance Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Welsh Government has an Internal Audit Service, which operates to standards defined in the Government's Internal Audit Standards. They undertake a full programme of work based upon an analysis of the major risks facing the organisation. The Head of Internal Audit submits regular reports to the Corporate Governance Committee on progress in implementing the plan. He also prepares an annual independent opinion on the adequacy and effectiveness of the system of internal control. I regularly meet with him to discuss the current activity and specific internal control issues.

A review of the effectiveness of the internal audit service was undertaken by external assessors appointed by HM Treasury in July 2010. Overall the assessors concluded that the Welsh Government has an Internal Audit service which is functioning effectively and in compliance with the Government Internal Audit Standards. All elements were assessed as being in the “Operating” category or better. An action plan is in place to monitor the implementation of the recommendations made in order to strengthen further the delivery of internal audit work within the Welsh Government.

Internal Audit Service continues to co-ordinate their work with that of WAO. 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 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 Government has a sound framework of control which provides substantial assurance regarding the effective and efficient achievement of its objectives.

Based on its work over this reporting period, in the Chair's Annual Report for 2010-11, the Corporate Governance Committee has provided substantial assurance on the adequacy of audit arrangements for the Welsh Government and on the assurances provided to me as Principal Accounting Officer in respect of the governance, risk management and control arrangements operated within the organisation.

The Corporate Governance Committee arrangements continue to develop positively with greater input from independent members. In addition to the main CGC, all parts of the organisation are covered by a Departmental CGC. All CGCs have met regularly to advise the Accounting Officer and DGs throughout the year. I am satisfied that these committees are operating in an effective manner and provide good support to both me and DGs in the monitoring and review of risk, control and governance processes.

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 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 2010-11, the focus of our risk management centred on the requirement to make reductions in our budget whilst still delivering the key objectives and priorities of the Welsh Government. A key feature of this has been the operation of a voluntary exit policy which has resulted in a significant reduction in the number of staff employed in the organisation. The related risk of loss of corporate knowledge faced has been managed and mitigated through a range of measures including the implementation of workforce plans within each DG area.

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.

Information risk continues to have a high priority throughout the Welsh Government featuring in both corporate and departmental risk registers. Throughout the year there have been some important enhancements to information security governance and processes:

- Privacy Impact Assessments have been introduced to ensure compliance with the mandatory requirement that government departments carry out formal assessments for all new activities which involve the use of personal data.
- The introduction of the Knowledge and Information Management Security Group which replaced a number of other groups will ensure visible and effective leadership for setting and overseeing the corporate strategic direction of knowledge, information management and information security.

This group will support my Senior Information Risk Owner in discharging his duties and complying with appropriate legislation.

In line with Cabinet Office requirements, the Welsh Government has participated fully in the government departments' Information Risk Return. This process has a particular emphasis on information governance within the Welsh Government and instances where personal information is shared with third parties. The process will allow my Senior Information risk Owner to provide the Cabinet Office with high level summaries of our information risks and examples of best practice as well demonstrating continuous improvement against the Information Security Maturity Model.

Information risk continues to be supported by the Welsh Government's accreditation against ISO 27001 – the international standard for information security management. This provides assurances that the corporate IT system and associated security policies comply with the requirements of the standard and are aligned with recommended procedures. The Internal Compliance Programme for 2010-11, conducted by Internal Audit Services, and the external accreditation inspections concluded that the Welsh Government has robust processes in place and has met its commitments under the standard.

Significant Internal Control Issues

Early indications from our counter fraud work during 2010-11 suggest that the levels of fraud within and against the Welsh Government are below the broad averages that are available. We are currently engaged with the National Fraud Authority and the National Fraud Intelligence Bureau in developing more robust procedures to report and measure fraud activity.

Last year I reported an increase in the volume of special investigations of potential or alleged frauds. Some of these are proceeding to trial and although our preventative and awareness raising procedures for fraud are and will continue to become more robust; it is likely similar cases will continue to be identified and investigations progressed by my Head of Counter Fraud.

In previous years I have also reported on some specific internal control issues. The following sets out progress made in these areas:

- Work has continued on the development of an effective and sustainable framework for the future management of grants and funding programmes under the Enabling Government Portfolio. A Grants Centre of Excellence team has been established and is working with grant managers throughout the Welsh Government to identify best practice, benchmark grants activity against minimum standards and to introduce consistent processes and procedures. This will be supported by the development of a single IT system. This work reduces the risks associated with claimants receiving different funding across the organisation.
- Following on from the initial work undertaken to improve the governance and financial management arrangements for the Communities First programme, a further programme of visits has been undertaken of those partnerships classified as high risk. This did not identify any serious concerns or significant failings. It did, however, identify scope to improve the control framework within many of the bodies including the roles of and relationships with intermediary bodies. An ongoing programme of visits is now in place. We have continued to work with North Wales police in respect of the issues relating to Plas Madoc Communities First. As a result, three people have been charged with a number of offences and will appear in court later this year.
- This year we have undertaken a detailed review of the Technium programme. This review has led to the de-branding of a number of techniums and a strengthening of the management around the remaining techniums. The review also brought to light some issues surrounding documentation of decision making and the effectiveness of the implementation of audit recommendations on the Technium programme. Action has been taken to improve our performance on these issues. A report on the operation of one particular Technium made a number of fundamental recommendations which are being taken forward.

Two significant internal control issues were identified by my 2010-11 review. The first relates to an investigation, following concerns raised internally, undertaken into the acquisition and disposal of a property in North Wales to deliver a social enterprise project. This investigation uncovered a significant conflict of interest matter relating to a member of staff involved with the project. This has led to disciplinary action being taken against two individuals. Future options for this project are now being actively explored. More robust arrangements have been put in place to monitor potential conflicts of interest in the future.

The second relates to significant cost pressures within the LHBs and NHS Trust organisations which necessitated the allocation of an additional £110m during 2010-11. This funding was provided on a non-recurrent basis. Additional recurrent funding has been secured for 2011-12 and whilst there are robust processes in place to monitor the financial performance of each LHB and Trust, they will be strengthened to ensure proper responsibility and accountability is appropriately established for the use of these additional funds.

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
25th July 2011

The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales

I certify that I have audited the 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 2011 under the Government of Wales Act 2006. These comprise the Summary of Resource Outturn, the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers’ Equity and 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

As explained more fully in the Statement of the Accounting Officer’s Responsibilities, the 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.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Auditing Practice Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Welsh Assembly Government’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Welsh Assembly Government; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that 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 read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of the Welsh Assembly Government’s affairs as at 31 March 2011 and of its net cash requirement, net resource outturn and total comprehensive expenditure, for the year then ended; and
- have been properly prepared in accordance with HM Treasury directions issued under the Government of Wales Act 2006.

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.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury and Welsh Ministers' directions made under the Government of Wales Act 2006; and
- the information which comprises the Permanent Secretary's Report, Management Commentary and the unaudited part of the Remuneration Report, included within the Annual Report is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- the Statement on Internal Control does not reflect compliance with HM Treasury guidance;
- proper accounting records have not been kept;
- information specified by HM Treasury regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ
25 July 2011

**Welsh Assembly Government
Summary of Resource Outturn
For the year ended 31 March 2011**

	Budget 2010-11	Outturn 2010-11	Outturn compared with Budget	Outturn 2009-10
	£000	£000	£000	£000
PROGRAMME RESOURCES				
	Net expenditure	Net expenditure	Variance	Net expenditure
Health and Social Services	5,404,266	5,321,316	82,950	5,160,254
Social Justice & Local Government	3,596,665	3,566,965	29,700	3,478,445
Environment, Sustainability & Housing	796,029	794,438	1,591	675,625
Economy and Transport	1,035,269	975,472	59,797	1,531,094
Children, Education, Lifelong Learning & Skills	2,139,815	2,137,586	2,229	2,120,865
Rural Affairs	133,899	133,649	250	137,076
Heritage	176,268	176,050	218	154,534
Public Services and Performance	59,243	56,928	2,315	48,930
Central Administration	373,188	352,400	20,788	424,582
Total Resource and Capital requirements	13,714,642	13,514,804	199,838	13,731,405

Explanation of Major Variances

	£000
Health and Social Services – additional income from National Insurance contributions of £35m; underspends in cash terms on Capital £35m (reduced to £4m when adjusted for forward commitments); revenue underspends including education & training £4m, health promotion £3m and social service grants £6m.	82,950
Social Justice & Local Government – the underspend relates to Local Authority funding arrangements where receipts of Non Domestic rates were higher than expected, in a difficult estimating environment.	29,700
Economy and Transport – the underspend is on non cash charges for depreciation and impairment, which were lower than expected.	59,797
Central Administration – the variance is due to the UK government policy on RPI/CPI pension accounting creating a one-off credit of £19m.	20,788
Other departments	6,603
Total	199,838

**Welsh Assembly Government
Net Cash Requirement 2010-11**

	2010-11	2009-10
	£000	£000
Authorised for issue from Welsh Consolidated Fund	13,395,939	13,066,587
Funding drawn down	(13,167,759)	(12,872,057)
Undrawn funding	228,180	194,530

The Notes on pages 45 to 93 form part of these accounts.

**Consolidated Statement of Comprehensive Net Expenditure
For the year ended 31 March 2011**

		Year ended 31 March 2011		Restated Year ended 31 March 2010	
		WAG £000	Consolidated £000	WAG £000	Consolidated £000
PROGRAMME COSTS	Note				
Expenditure	6	14,286,434	14,538,882	14,035,829	14,267,314
Income					
Non EU Income	8	(1,095,690)	(1,429,464)	(1,131,769)	(1,440,253)
EU Income	8	(494,034)	(517,985)	(532,827)	(532,827)
		(1,589,724)	(1,947,449)	(1,664,596)	(1,973,080)
Net Programme Costs		12,696,710	12,591,433	12,371,233	12,294,234
ADMINISTRATION COSTS	Note				
Staff Costs	4	254,408	260,284	253,551	259,052
Other Administration Costs	5	95,977	104,786	131,413	137,753
Gross Administration Costs		350,385	365,070	384,964	396,805
Administration Income	8	(1,881)	(1,884)	(2,692)	(2,247)
Net Administration Cost		348,504	363,186	382,272	394,558
NET OPERATING COST		13,045,214	12,954,619	12,753,505	12,688,792
OTHER COMPREHENSIVE EXPENDITURE					
Net (gain)/loss on revaluation of Property, Plant and Equipment		(987,289)	(969,709)	18,405	100,615
Net (gain)/loss on Available-for-sale investments taken to equity		-	(166)	-	544
Actuarial (gain)/loss pension		-	(1,085)	-	1,000
Total Comprehensive Net Expenditure for the year ended 31 March 2011		12,057,925	11,983,659	12,771,910	12,790,951

The Notes on pages 45 to 93 form part of these accounts.

Consolidated Statement of Financial Position as at 31 March 2011

		As at 31 March 2011 WAG	As at 31 March 2011 Consolidated	Restated As at 31 March 2010 WAG	Restated As at 31 March 2010 Consolidated
	Note	£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	9	13,272,089	16,003,487	12,210,038	14,825,579
Intangible Assets	10	7,264	12,503	6,253	11,535
Financial assets	11	1,749,929	1,695,853	1,592,814	1,550,621
Trade and other receivables	15	-	44,803	-	39,218
Total non current assets		15,029,282	17,756,646	13,809,105	16,426,953
Current Assets:					
Assets classified as held for sale	9.1	-	1,590	-	5,345
Development Asset Inventories	13	153,521	171,161	173,454	181,124
Inventories	14	36,070	85,234	39,395	85,900
Trade and other receivables	15	177,974	272,432	207,508	306,239
Other Financial assets	11	-	26	-	25
Cash & cash equivalents	16	60,584	193,730	65,879	238,037
Total current assets		428,149	724,173	486,236	816,670
Total assets		15,457,431	18,480,819	14,295,341	17,243,623
Current liabilities:					
Trade and other payables	17	(659,163)	(1,231,736)	(577,875)	(1,125,595)
Other liabilities	19	-	(10,877)	-	(7,874)
Total current liabilities		(659,163)	(1,242,613)	(577,875)	(1,133,469)
Non-current assets plus/less net current assets/liabilities		14,798,268	17,238,206	13,717,466	16,110,154
Non-current liabilities					
Provisions	18	(443,625)	(531,113)	(398,993)	(482,573)
Other payables	17	(166,429)	(252,745)	(175,102)	(266,393)
Pension fund	33b	(76,240)	(78,213)	(84,640)	(87,631)
National Loans	26	(11,710)	(11,710)	(11,749)	(11,749)
Other liabilities	19	-	(81,220)	-	(94,418)
Total non current liabilities		(698,004)	(955,001)	(670,484)	(942,764)
Assets less liabilities		14,100,264	16,283,205	13,046,982	15,167,390

Consolidated Statement of Financial Position as at 31 March 2011 continued

	As at 31 March 2011	As at 31 March 2011	Restated As at 31 March 2010	Restated As at 31 March 2010
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Taxpayers' Equity				
General Fund	8,638,457	10,408,653	7,958,228	9,646,548
Revaluation Reserve	5,523,840	5,895,641	5,158,309	5,551,782
EU Deferred Grant	14,207	14,207	15,085	15,085
Pension Fund	(76,240)	(78,213)	(84,640)	(87,631)
Donated Asset reserve	-	42,917	-	41,606
Total taxpayer's equity	14,100,264	16,283,205	13,046,982	15,167,390

Dame Gillian Morgan
Permanent Secretary and Principal Accounting Officer
Date: 25th July 2011

The Notes on pages 45 to 93 form part of these accounts.

**Consolidated Statement of Cash Flow
for the year ended 31 March 2011**

	Note	Year ended 31 March 2011		Restated Year ended 31 March 2010	
		WAG	Consolidated	WAG	Consolidated
		£000	£000	£000	£000
Cash flows from operating activities					
Net operating cost		(13,045,214)	(12,954,619)	(12,753,505)	(12,688,792)
Provisions utilised	18	(55,071)	(144,236)	(35,605)	(97,606)
Student loans provision		(99,092)	(99,092)	(74,605)	(74,605)
Non – cash transactions:					
Administrative costs	5	1,795	3,092	27,414	26,502
Programme costs	6	300,806	641,648	347,913	707,365
Notional recharges to HCW		-	-	(468)	-
Debtor/Creditor adjustment		(370)	(370)	-	-
Marine Management Organisation prior year adjustment		-	-	175	175
Income payable to Welsh Consolidated Fund		(5,343)	(5,343)	(49,898)	(49,898)
Movements in working capital other than cash	12	103,092	77,807	73,570	94,817
Net cash outflow from operating activities		(12,799,397)	(12,481,113)	(12,465,009)	(12,082,042)
Cash flows from investing activities					
Purchase of property, plant and equipment		(129,625)	(474,807)	(110,290)	(468,762)
Purchase of intangible assets		(4,004)	(5,121)	(3,360)	(5,369)
Proceeds of disposal of property, plant and equipment		713	6,835	3,231	6,458
Proceeds of disposal of development assets		15,738	15,738	7,117	7,117
Proceeds of disposal of intangible assets		-	-	-	-
Purchase of development assets		(20,172)	(30,142)	(32,064)	(39,734)
Issue of loans		(299,358)	(296,609)	(381,533)	(370,785)
Movement in bank loan		-	(9,898)	-	67,173
Repayment of loans		58,928	58,928	58,204	59,469
Net cash outflow from investing activities		(377,780)	(735,076)	(458,695)	(744,433)
Cash flows from financing activities					
From Welsh Consolidated Fund (Supply) – current year		13,167,759	13,167,759	12,872,057	12,872,057
Financing via Welsh Assembly Government		-	-	-	-
EU Deferral		285	285	-	-
Non operating receipts surrendered to Welsh Consolidated Fund		3,838	3,838	2,437	2,437
Net financing		13,171,882	13,171,882	12,874,494	12,874,494
Net increase/(decrease) in cash and cash equivalent in period	16	(5,295)	(44,307)	(49,210)	48,019
Cash and cash equivalents at the beginning of the period	16	65,879	238,037	115,089	190,018
Cash and cash equivalents at the end of the period	16	60,584	193,730	65,879	238,037

The Notes on pages 45 to 93 form part of these accounts.

**Consolidated Statement of changes in Taxpayers' Equity
For the year ended 31 March 2011**

Consolidated

	General Fund	European Deferred Grant Reserve	Revaluation Reserve	Pension Fund Reserve	Donated Asset Reserve	Total Reserves
	£000	£000	£000	£000	£000	£000
Restated balance at 1 April 2009	9,471,284	16,241	5,711,588	(74,162)	39,835	15,164,786
Welsh Consolidated fund - drawn down	12,872,057	-	-	-	-	12,872,057
Welsh Consolidated fund - to surrender	(49,658)	-	-	-	-	(49,658)
WAG funding	9	-	-	-	-	9
Net operating cost for the year	(12,688,792)	-	-	-	-	(12,688,792)
Non-cash adjustments						
Net gain/(loss) on revaluation of property, plant and equipment	9	-	(103,109)	-	2,485	(100,615)
Net gain/(loss) on revaluation of investments	(544)	-	-	-	-	(544)
In year additions	380	-	-	-	4,281	4,661
Actuarial loss on pension scheme	(1,000)	-	-	-	-	(1,000)
Fisheries assets transfers	175	-	-	-	-	175
Transfer of assets	(292)	-	-	-	-	(292)
Remove modified historic cost	540	-	(1,580)	-	-	(1,040)
Notional charges to HCW	(468)	-	-	-	-	(468)
PDC Investment net re-issue	(58,833)	-	-	-	-	(58,833)
Student loan adjustment	42,440	-	-	-	-	42,440
Impairments and reversals	-	-	-	-	(580)	(580)
CFER income	(132)	-	-	-	-	(132)
Loan repayments to consolidated fund	(108)	-	-	-	-	(108)
Movements in Reserves						
Release of reserves to Statement of Comprehensive Expenditure	114	(1,156)	-	-	(4,476)	(5,518)
Transfers between reserves	55,056	-	(55,117)	-	61	-
Movement in other reserves	(5)	-	-	-	-	(5)
Transfers within boundary	457	-	-	-	-	457
In year pension movement	3,859	-	-	(13,469)	-	(9,610)
Balance at 31 March 2010	9,646,548	15,085	5,551,782	(87,631)	41,606	15,167,390

Consolidated Statement of changes in Taxpayers' Equity continued

Consolidated	General Fund £000	European Deferred Grant Reserve £000	Revaluation Reserve £000	Pension Fund Reserve £000	Donated Asset Reserve £000	Total Reserves £000
Restated Balance at 31 March 2010	9,646,548	15,085	5,551,782	(87,631)	41,606	15,167,390
Welsh Consolidated fund – drawn down	13,167,759	-	-	-	-	13,167,759
Welsh Consolidated fund – to surrender	(5,056)	-	-	-	-	(5,056)
Net operating cost for the year	(12,954,619)	-	-	-	-	(12,954,619)
Non-cash adjustments						
Net gain/(loss) on revaluation of property, plant and equipment	43	-	969,899	-	(233)	969,709
Net gain/(loss) on revaluation of investments	166	-	-	-	-	166
Debtor/creditor adjustments	531	-	-	-	-	531
PDC investment re-issued	961	-	-	-	-	961
In year additions	1,191	285	-	-	5,084	6,560
Actuarial gain/(loss) on pension scheme	1,085	-	-	-	-	1,085
Student Loans non cash element	(19,210)	-	-	-	-	(19,210)
CFER income	(179)	-	-	-	-	(179)
Loan repayments to Consolidated Fund	(108)	-	-	-	-	(108)
Movements in reserves						
Release of reserves to statement of Comprehensive Expenditure	(276)	(1,163)	-	-	(4,487)	(5,926)
Transfers of assets	(19,282)	-	-	-	-	(19,282)
Transfers between reserves	625,093	-	(626,040)	-	947	-
Transfers within boundary	(13,246)	-	-	-	-	(13,246)
In year pension movement	(22,748)	-	-	9,418	-	(13,330)
Balance at 31 March 2011	10,408,653	14,207	5,895,641	(78,213)	42,917	16,283,205

Consolidated Statement of changes in Taxpayers' Equity continued

Welsh Assembly Government
only

	General Fund	European Deferred Grant Reserve	Revaluation Reserve	Pension Fund Reserve	Donated Asset Reserve	Total Reserves
	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009	7,903,177	16,241	5,178,429	(72,330)	-	13,025,517
Welsh Consolidated fund - drawn down	12,872,057	-	-	-	-	12,872,057
Welsh Consolidated fund – to surrender	(49,658)	-	-	-	-	(49,658)
Net operating cost for the year	(12,753,505)	-	-	-	-	(12,753,505)
<i>Non-cash adjustments</i>						
Net gain/(loss) on revaluation of property, plant and equipment	-	-	(18,405)	-	-	(18,405)
PDC	(58,833)	-	-	-	-	(58,833)
Student Loans non cash element	42,440	-	-	-	-	42,440
Services to HCW	(468)	-	-	-	-	(468)
CFER income	(132)	-	-	-	-	(132)
Loan repayments payable to Consolidated Fund	(108)	-	-	-	-	(108)
<i>Movements in Reserves</i>						
Release of reserves to Statement of Comprehensive Expenditure	-	(1,156)	-	-	-	(1,156)
Transfers of assets	(292)	-	-	-	-	(292)
Fisheries asset transfer	175	-	-	-	-	175
Transfers between reserves	135	-	(135)	-	-	-
In year pension movement	2,700	-	-	(12,310)	-	(9,610)
Remove Modified Historic Cost Accounting	540	-	(1,580)	-	-	(1,040)
Restated balance at 31 March 2010	7,958,228	15,085	5,158,309	(84,640)	-	13,046,982

Consolidated Statement of changes in Taxpayers' Equity continued

WAG only	General Fund £000	European Deferred Grant Reserve £000	Revaluation Reserve £000	Pension Fund Reserve £000	Donated Asset Reserve £000	Total Reserves £000
Restated balance at 31 March 2010	7,958,228	15,085	5,158,309	(84,640)	-	13,046,982
Welsh Consolidated fund – drawn down	13,167,759	-	-	-	-	13,167,759
Welsh Consolidated fund – to surrender	(5,056)	-	-	-	-	(5,056)
Net operating cost for the year	(13,045,214)	-	-	-	-	(13,045,214)
Non-cash adjustments						
Net gain/(loss) on revaluation of property, plant and equipment	-	-	987,289	-	-	987,289
PDC	961	-	-	-	-	961
Student Loans non cash element	(19,210)	-	-	-	-	(19,210)
CFER income	(179)	-	-	-	-	(179)
Loan repayments payable to Consolidated Fund Debtor/Creditor adjustment	(108)	-	-	-	-	(108)
	530	-	-	-	-	530
Movements in Reserves						
Additions	-	285	-	-	-	285
Release of reserves to Statement of Comprehensive Expenditure	-	(1,163)	-	-	-	(1,163)
Transfers of assets	(19,282)	-	-	-	-	(19,282)
Transfers between Reserves	621,758	-	(621,758)	-	-	-
In year pension movement	(21,730)	-	-	8,400	-	(13,330)
Balance at 31 March 2011	8,638,457	14,207	5,523,840	(76,240)	-	14,100,264

Of the £621m revaluation reserve transfer, £614m is in respect of a reconciling adjustment following the implementation of improved reporting processes in 2010-11 to facilitate the reconciliation of the revaluation reserve to the network asset valuation model.

The Notes on pages 45 to 93 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 *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 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 in 2009-10, 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 Statement of Comprehensive Net Expenditure.

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, 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, Ryder Cup Wales 2010 Ltd and Regeneration Investment Fund for Wales LLP. 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 2010-11 were taken from the Investment Property Databank (IPD) UK Annual Index (2011). For 2009-10 a valuation was carried out.

Network Assets

The road network asset is valued at depreciated replacement cost as it is deemed to be specialist in nature. The Welsh Government has developed a model to estimate the value of the roads network. It is valued using a standard costing system, uplifted annually for indexation. The model observes the principles of the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors. The road surface asset is recognised as a single asset. The road surface asset is held at depreciated replacement cost based on service potential. Subsequent expenditure on the road surface will be capitalised where it enhances or replaces the service potential. Expenditure that does not replace or enhance potential will be expensed to the Statement of Comprehensive Net Expenditure. Pre contract advance works and expenditure after contract award is capitalised for all road construction projects. Where a scheme is subsequently cancelled, all cumulative costs are written off to the Statement of Comprehensive Net Expenditure. The road surface is subject to annual valuations as measured by suitable indices. New roads are included in additions when the structural details have been provided by the Agent authority, which may be some time after the road has been opened.

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

Plant and equipment, information technology, fixtures and fittings, and vehicles 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 32 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:

- 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 non-current assets note above); and
- calculated depreciation of the structures and communications.

The annual depreciation charge for the road surface is the value of the service potential replaced through the maintenance programme, plus or minus any adjustment resulting from an annual condition survey. Structures and communications assets are depreciated on a straight line basis over the expected useful life of the asset.

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

Lives are in the following ranges:

Network surface	20 to 50 years
Network structures	20 to 120 years
Network communication	15 years
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 Statement of Comprehensive Net Expenditure in the period in which they are 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 Statement of Comprehensive Net Expenditure 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 Statement of Comprehensive Net Expenditure 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 Statement of Comprehensive Net Expenditure 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 impairment on revaluation being written off to the Comprehensive Net Expenditure 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 this 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.

1.13 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 Welsh European Funding Office (which is part of the Department for 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.

1.14 Administration & Programme expenditure

The Statement of comprehensive Net Expenditure is analysed between administration and programme income and expenditure. Administration costs reflect the cost of running the Welsh Assembly Government, 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.

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 are covered by the provisions of the Civil Service Pension Scheme which are described in Note 33a. 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 33b.

Former Wales Tourist Board staff contributed to the British Tourist Boards' Pension Scheme. This is a funded defined benefit scheme based on final pensionable pay. The assets are held by the Pension Scheme under a cash accumulation contract with the Prudential Assurance Company Ltd. Further information is provided in Note 33 and 33c.

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 2010-11 was 14% (2009-10: 14%). These costs are included in Note 6 – Programme costs.

In the UK Budget Statement of 22 June 2010, the Chancellor of the Exchequer announced that, with effect from 1 April 2011, the Government would use the Consumer Price Index (CPI) rather than the Retail Price Index (RPI) for the price indexation of benefits and tax credits; and that this would also apply to public service pensions through the statutory link to the indexation of the Second State Pension. The change from RPI to CPI for the purpose of uprating index-linked features of post employment benefits has been recognised as a negative past service cost in accordance with IAS 19. This accounting treatment has been adopted by all central Government reporting entities where RPI has been used for inflation indexing for many years.

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 Government Banking Service 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 these 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 Statement of Comprehensive Net Expenditure 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 2011, 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 Statement of Comprehensive Net Expenditure.

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 year end 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 34.

2. Prior year adjustments

Health Commission Wales (HCW) an Executive Agency of the Welsh Assembly Government, ceased to exist on 31 March 2010. The activities of the organisation were taken over by the new Welsh Health Specialised Services Committee (WHSSC) a joint committee of the Local Health Boards, and which forms part of Cwm Taf Local Health Board. The consolidated account has been restated as at 1 April 2009 to reflect these changes.

The NHS Wales Informatics Service (NWIS) was established in April 2010, as part of the healthcare reform programme. The core accounts have been restated for the prior year to reflect the Public Dividend Capital investment.

The removal of the cost of capital charge of £439,983,000 and the adaptation of IAS 36, Impairment of assets has been adjusted in the accounts but, in accordance with HM Treasury requirements the Resource Outturn has not been restated for 2009-10.

The Marine and Fisheries Agency, an executive agency of Defra, became the Marine Management Organisation but the licensing activities in Wales transferred over to the Welsh Assembly Government. This machinery of government change of £175,000 has been added to the prior year.

Invest to Save payments of £7,194,000 have been reclassified in the prior year, from grants to Local Authorities, to financial asset loans where the payments are deemed to be repayable.

3a. Reconciliation of outturn to net operating cost 2010-11

	Outturn 2010-11 £000	Outturn 2009-10 £000
Net resource outturn	13,514,804	13,731,405
less Capital, Loans & adjustments	(469,590)	(530,898)
Less prior year adjustments:		
- Invest to Save	-	(7,194)
- Cost of Capital	-	(439,983)
- Marine Management Organisation	-	175
Net operating cost	13,045,214	12,753,505

3b. Reconciliation of resources to cash requirement 2010-11

	Budget 2010-11 £'000	Outturn 2010-11 £'000	Outturn compared with Budget £'000	Outturn 2009-10 £'000
Net resource outturn	13,714,642	13,514,804	199,838	13,731,405
Cost of capital	-	-	-	(439,983)
Depreciation	(17,887)	(16,600)	(1,287)	(16,875)
Network Assets capital charges	(102,430)	(78,994)	(23,436)	(95,189)
Impairments	(74,402)	(50,251)	(24,151)	(80,293)
Student loans	(61,741)	(61,126)	(615)	(59,721)
Movements in provisions	(59,375)	(44,632)	(14,743)	(107,378)
Movements in working capital	(2,868)	(103,092)	100,224	(73,570)
Removal of amounts not part of resource outturn	-	2,661	(2,661)	48,616
Other	-	10,284	(10,284)	14,255
Net cash requirement	13,395,939	13,173,054	222,885	12,921,267

4. Staff Numbers and Costs

The average number of whole-time equivalent persons employed (including senior management and special advisers) during the period was 73,362 (2009-10: 74,839).

The breakdown of this figure is as follows:

	Special Advisers	Permanently employed staff	Others	Total
Total	8	72,273	1,081	73,362
Of which:				
Welsh Assembly Government	8	5,316	440	5,764
Local Health Boards	-	66,853	641	67,494
Subsidiaries	-	104	-	104

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

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

	Assembly permanently employed staff	Special Advisers	*Other Staff	Year ended 31 March 2011 Total	Year ended 31 March 2010 Total
	£000	£000	£000	£000	£000
Salaries	200,206	301	16,723	217,230	224,179
Social Security Costs	17,034	73	429	17,536	18,017
Other Pension Costs	37,354	28	481	37,863	38,897
Pension liabilities	19,154	-	-	19,154	6,470
Sub Total	273,748	402	17,633	291,783	287,563
Less:					
Recoveries in Respect of Outward Secondments	(1,772)	-	-	(1,772)	(2,399)
Recharged to programme costs	(29,727)	-	-	(29,727)	(26,112)
Total net costs	242,249	402	17,633	260,284	259,052

Of which:

Core department	242,249	402	11,757	254,408	253,551
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*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 33.

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

4.1 Reporting of Civil Service and other compensation schemes – exit packages

There were no compulsory redundancies in 2010-11 or 2009-10.

305 (0) left under Flexible Early Retirement or Approved Early Retirement terms between 1 April 2010 and 31 March 2011. The capitalised cost of the package they received was £16,518,316 (0). Prior year figures in brackets.

78 (33) left under Flexible Early Severance terms between 1 April 2010 and 31 March 2011. They received compensation payments totalling £2,795,969 (1,693,182).

254 (10) have agreed to leave on Voluntary Exit terms between 31 March 2011 and 15 July 2011. They will receive compensation payments totalling £10,631,236 (177,017).

Exit package cost band	Total number of exit packages by cost band	Total number of exit packages by cost band
	2010-11	2009-10
<£10,000	58	7
£10,000 - £25,000	173	9
£25,000 - £50,000	191	16
£50,000 - £100,000	148	5
£100,000 - £150,000	46	4
£150,000 - £200,000	14	2
£200,000+	7	-
Total number of exit packages by type	637	43
Total resource cost £	29,945,521	1,870,199

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the Welsh Assembly Government and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The costs included in the table above provide the total cost to the organisation of any exit. In some instances these are cash payments, but in other instances costs include items such as early access to pension costs, pension costs between leaving date and scheme retirement age.

The breakdown of this resource cost by note is:

Note 4 Staff costs - £13,481,871

Note 5 Other Admin costs - £15,335,958

Note 6 Programme costs - £1,127,692

5. Other Administration Costs

	Year ended 31 March 2011		Restated Year ended 31 March 2010	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
Goods and Services	25,145	31,283	39,122	45,017
IT & Telecommunications	29,226	29,229	30,820	30,823
Accommodation	14,695	15,734	17,684	18,706
Rentals under operating leases				
- accommodation	6,792	6,792	7,550	7,550
- hire of vehicles and office equipment	421	421	521	521
Travel, subsistence and hospitality	4,700	4,933	7,292	7,549
Early retirement costs	11,514	11,514	-	-
Audit Fees	446	545	460	535
Relocation costs*	1,122	1,122	508	508
Gain on exchange rate	121	121	42	42
	94,182	101,694	103,999	111,251
Non Cash Items:				
Depreciation	10,566	10,617	8,724	8,768
Amortisation	2,993	2,993	2,043	2,043
Surplus/(deficit) on revaluation	-	-	-	-
Impairment of property, plant and equipment	4,957	4,957	11,752	11,752
(Gain)/loss on disposal of property, plant and equipment	(14)	(14)	620	620
Gain on sale of equity investments	-	-	-	(636)
Impairment on Finance Wales other	-	1,179	-	(480)
Gain from fair value of investments	(45)	(45)	-	-
Provision for early retirement and pension costs	5,068	5,068	1,575	1,575
Pension RPI/CPI policy change	(19,160)	(19,160)	-	-
Pension finance*	(2,570)	(2,503)	2,700	2,860
	1,795	3,092	27,414	26,502
Total Other Administration Costs	95,977	104,786	131,413	137,753

* these costs are subject to UK taxation

6. Programme Costs

	Year ended 31 March 2011		Restated Year ended 31 March 2010	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Programme expenditure:				
Health and Social Services (a)	6,252,896	6,487,525	6,085,556	6,393,491
Social Justice and Local Government	3,566,986	3,566,986	3,478,987	3,478,987
Children, Education, Lifelong Learning and Skills	1,951,884	1,951,884	1,913,228	1,913,228
Environment, Sustainability & Housing	875,292	875,050	761,078	760,720
Economy and Transport (b)(c)	960,493	974,976	1,127,130	1,044,112
Rural Affairs	456,187	456,187	462,183	462,183
Heritage	181,044	181,044	159,609	159,609
Public Services & Performance	40,997	40,997	32,579	32,579
Central grants	655	655	15,479	15,479
LHB Audit Fee	-	3,578	-	6,926
	14,286,434	14,538,882	14,035,829	14,267,314
Of which				
Rentals under operating leases (d)	5,641	5,641	4,592	4,592
PFI and other service concession arrangements service charges (d)	11,518	11,518	10,096	10,096
Non-cash costs:				
Depreciation	3,048	132,443	6,108	137,551
Amortisation	-	1,448	-	1,242
Release from general fund	-	(276)	-	(2)
Released from Donated Asset Reserve	-	(4,487)	-	(4,476)
Impairment and write-off of property, plant and equipment	13,259	116,348	10,550	163,467
Impairment of development assets	28,095	28,095	40,907	40,907
Impairment of investments	3,985	3,985	17,085	17,085
Profit on disposal of development assets	(1,379)	(1,379)	(1,021)	(1,021)
(Gain)/loss on disposal of property, plant and equipment	108	206	(295)	(443)
(Gain)/loss on disposal of intangible assets	-	-	-	10
Investment diminution Finance Wales	-	17,019	-	15,529
Student loans non cash charges	160,218	160,218	134,327	134,327
Increase/ (Decrease) in Provisions	94,635	187,708	141,408	203,179
LHB other finance costs	-	1,775	-	1,458
Release of PFI deferred credits	-	(292)	-	(292)
Release of EU Grant	(1,163)	(1,163)	(1,156)	(1,156)
	300,806	641,648	347,913	707,365

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 £78,994,000 (2009-10: £95,189,000) classed as capital maintenance depreciation

c. Economy and Transport expenditure includes WEFO funding of £126,158,000 delivered via other departments as follows:

Health and Social Service - £1,950,000

Social Justice and Local Government - £1,028,000

Children Education, Lifelong Learning and Skills - £43,054,000

Environment, Sustainability and Housing - £25,279,000

Economy and Transport - £52,507,000

Heritage - £2,202,000

Public Services & Performance - £42,000

Central administration - £96,000

d. Welsh Assembly government figures only

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 2010-11 is £445,640 (2009-10: £460,500) and has been included in the audit fees disclosed at Note 5.

8. Income

	Year ended 31 March 2011		Restated Year ended 31 March 2010	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
Programme Income				
Non-EU Income:				
Health and Social Services	960,333	1,307,945	1,004,184	1,308,969
Economy and Transport	21,375	6,015	20,976	23,354
Environment, Sustainability & Housing	81,366	81,369	85,896	85,948
Rural Affairs	3,160	3,160	4,019	4,019
Heritage	5,357	5,357	5,270	5,270
Children, Education, Lifelong Learning and Skills	23,004	23,004	10,804	10,804
Interest receivable	-	1,519	-	1,255
Other programme income	916	916	479	493
	1,095,511	1,429,285	1,131,628	1,440,112
Income outside the supply process				
Consolidated Fund Extra Receipts	179	179	141	141
	1,095,690	1,429,464	1,131,769	1,440,253
EU Income:				
Common Agricultural Policy	309,415	309,415	321,347	321,347
European Structural Funds Programmes	184,619	208,570	211,480	211,480
	494,034	517,985	532,827	532,827
	1,589,724	1,947,449	1,664,596	1,973,080
Administration Income				
Fees & charges	1,881	1,884	2,224	2,247
Notional charge to Health Commission Wales	-	-	468	-
	1,881	1,884	2,692	2,247
	1,591,605	1,949,333	1,667,288	1,975,327

9. Property, plant and equipment

	Network Assets	Land	Buildings excluding Dwellings	Dwellings	Vehicles	Information Technology	Plant & Equipment	Fixtures & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation										
At 1 April 2010	13,695,434	416,939	1,922,965	55,824	7,458	132,379	460,908	26,540	590,559	17,309,006
Additions – donated	-	2,550	389	-	-	111	1,817	80	129	5,076
Additions	-	43	30,919	206	612	14,219	43,698	10,974	390,948	491,619
Additions - government granted	-	-	-	-	-	106	-	9	866	981
Transfers	(16,238)	-	(14)	-	643	(1,394)	(6,277)	(158)	-	(23,438)
Disposals/write-offs	-	(116)	(715)	(24)	(463)	(2,433)	(25,637)	(674)	-	(30,062)
Impairments	(11,232)	(1,103)	(61,015)	-	-	(1,309)	(1,489)	(3,165)	(6,700)	(86,013)
Revaluation/Indexation	1,117,400	(246)	(46,726)	(2,032)	-	-	(2,047)	-	742	1,067,091
Other LHB revaluation	-	-	-	-	-	-	-	-	-	-
Reclassified to held for sale	-	(1,927)	(3,496)	-	-	-	(55)	-	-	(5,478)
Reclassification	109,729	2,189	206,081	2,648	2	788	1,579	128	(325,850)	(2,706)
At 31 March 2011	14,895,093	418,329	2,048,388	56,622	8,252	142,467	472,497	33,734	650,694	18,726,076
Depreciation										
At 1 April 2010	1,881,125	-	205,106	3,488	5,109	74,870	300,170	11,766	1,793	2,483,427
Charged in year	81,231	-	79,846	1,629	746	17,051	38,977	2,574	-	222,054
Disposals	-	-	(38)	(24)	(423)	(2,393)	(25,066)	(668)	-	(28,612)
Transfers	(1,399)	-	(2)	-	-	(680)	(2,090)	(105)	-	(4,276)
Impairments	(235)	-	7,849	102	-	(711)	(354)	(352)	26,775	33,074
Impairment reversal	-	-	-	-	-	-	-	-	-	-
Revaluations	53,638	-	(31,348)	(1,360)	-	-	(2,408)	-	-	18,522
LHB other revaluation	-	-	-	-	-	-	-	-	-	-
Reclassified to held for sale	-	-	(1,532)	-	-	-	-	-	-	(1,532)
Reclassification	-	-	(85)	78	1	(601)	531	(2)	10	(68)
At 31 March 2011	2,014,360	-	259,796	3,913	5,433	87,536	309,760	13,213	28,578	2,722,589
Net Book Value at 31 March 2011	12,880,733	418,329	1,788,592	52,709	2,819	54,931	162,737	20,521	622,116	16,003,487
Net Book Value	11,814,309	416,939	1,717,859	52,336	2,349	57,509	160,738	14,774	588,766	14,825,579
At 31 March 2010										

9. Property, plant and equipment

	Network Assets	Land	Buildings excluding Dwellings	Dwellings	Vehicles	Information Technology	Plant & Equipment	Fixtures & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation										
At 1 April 2009	13,346,529	522,301	1,962,601	63,950	7,413	116,659	448,051	24,957	777,123	17,209,584
Additions – donated	-	-	222	-	122	40	2,406	6	1,462	4,258
Additions	-	5,513	26,257	41	589	16,089	29,432	7,359	376,580	461,860
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)	(44,848)	(133,300)	(4,089)	-	3,565	(167)	(4,217)	(14,035)	(197,313)
Revaluation/Indexation	(19,334)	(64,114)	(97,698)	(1,975)	116	(58)	6,245	(492)	(20)	(177,330)
Other LHB revaluation	-	-	-	-	-	-	-	-	-	-
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)
At 31 March 2010	13,695,434	416,939	1,922,965	55,824	7,458	132,379	460,908	26,540	590,559	17,309,006
Depreciation										
At 1 April 2009	1,798,216	131	247,387	4,850	4,964	67,806	282,299	11,022	61,339	2,478,014
Charged in year	100,849	-	80,471	1,545	561	15,133	40,526	2,423	-	241,508
Disposals	-	-	(482)	-	(495)	(10,192)	(26,295)	(920)	-	(38,384)
Transfer	(119)	-	(914)	-	-	-	-	-	-	(1,033)
Impairments	(142)	-	(27,705)	(643)	-	2,079	-	(614)	1,793	(25,232)
Impairment reversal	-	-	-	-	-	-	-	-	-	-
Revaluations	(78,917)	-	(92,785)	(2,239)	79	(58)	3,742	(92)	-	(170,270)
LHB other revaluation	-	-	-	-	-	-	-	-	-	-
Reclassification	61,238	(131)	(866)	(25)	-	102	(102)	(53)	(61,339)	(1,176)
At 31 March 2010	1,881,125	-	205,106	3,488	5,109	74,870	300,170	11,766	1,793	2,483,427
Net Book Value at 31 March 2010	11,814,309	416,939	1,717,859	52,336	2,349	57,509	160,738	14,774	588,766	14,825,579
Net Book Value	11,548,313	522,170	1,715,214	59,100	2,449	48,853	165,752	13,935	715,784	14,791,570
At 31 March 2009										

9. Property, plant and equipment continued

	Network Assets	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
Asset financing:										
Owned	12,577,199	404,993	1,672,583	48,566	2,819	54,805	158,164	20,521	622,116	15,561,766
Finance Leased	-	1	12,358	-	-	126	3,594	-	-	16,079
On-balance sheet PFI contracts	303,534	13,335	103,651	4,143	-	-	979	-	-	425,642
Net book value at 31 March 2011	12,880,733	418,329	1,788,592	52,709	2,819	54,931	162,737	20,521	622,116	16,003,487

	Network Assets	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
Asset financing:										
Owned	11,530,496	402,803	1,590,950	48,099	2,349	57,237	154,423	14,774	588,766	14,389,897
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
Net book value at 31 March 2010	11,814,309	416,939	1,717,859	52,336	2,349	57,509	160,738	14,774	588,766	14,825,579

9. Property, plant and equipment continued

Analysis of property, plant and equipment	Network Assets	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
Core department at 31 March 2011	12,880,733	26,605	124,785	1,860	688	22,888	1,906	10,081	202,543	13,272,089
Agencies/LHB's and subsidiaries at 31 March 2011	-	391,724	1,663,807	50,849	2,131	32,043	160,831	10,440	419,573	2,731,398
Core department at 31 March 2010	11,814,309	24,692	108,547	1,887	144	26,871	6,184	7,567	219,837	12,210,038
Agencies/LHB's and subsidiaries at 31 March 2010	-	392,247	1,609,312	50,449	2,205	30,638	154,554	7,207	368,929	2,615,541

9.1 Assets 'held for sale'

	As at 31 Mar 2011		As at 31 Mar 2010	
	Land	Buildings	Land	Buildings
	£000	£000	£000	£000
Balance at the end of the year	-	1,590	-	5,345
				Total
				5,345

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 2010-11.

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 network assets transferred under 'disposals/write-offs' was £ nil (2009-10: £nil). Payments on Account include an amount for the A55 PFI scheme.

10. Intangible assets

	Information Technology £000
Cost or valuation	
At 1 April 2010	17,872
Additions	5,113
Additions –donated	8
Additions – government grant	-
Disposals	(78)
Reclassifications	356
At 31 March 2011	23,271
Amortisation	
At 1 April 2010	6,337
Charged in year	4,441
Disposals	(78)
Write-off	-
Reclassification	68
At 31 March 2011	10,768
Net Book Value at 31 March 2011	12,503
Net Book Value at 1 April 2010	11,535
Cost or valuation	
At 1 April 2009	16,874
Additions	5,321
Additions –donated	38
Additions – government grant	11
Disposals	(5,644)
Reclassifications	1,272
At 31 March 2010	17,872
Amortisation	
At 1 April 2009	8,503
Charged in year	3,285
Disposals	(5,450)
Write-off	(1)
At 31 March 2010	6,337
Net Book Value at 31 March 2010	11,535
Net Book Value at 1 April 2009	8,371
Analysis of intangible assets	
Core at 31 March 2011	7,264
Core at 31 March 2010	6,253

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	¹ Invest to Save loans £000	Total £000
Balance at 1 April 2009	91,699	1,181,406	-	1,273,105
Additions	81,654	265,626	7,195	354,475
Repayments	(7,500)	(61,010)	-	(68,510)
Re-issue	17,765	-	-	17,765
Extinguished	(76,597)	-	-	(76,597)
Fair value adjustment	-	(81)	-	(81)
Adjustment	-	(1,948)	-	(1,948)
Balance at 31 March 2010	107,021	1,383,993	7,195	1,498,209
Additions	15,238	251,177	3,406	269,821
Loan repayments	-	(77,418)	(96)	(77,514)
Re-issued	961	-	-	961
Effective interest	-	99,825	-	99,825
Fair value adjustment	-	(137,754)	-	(137,754)
Adjustment	-	(7,462)	-	(7,462)
Balance at 31 March 2011	123,220	1,512,361	10,505	1,646,086

¹ Repayable loans to Local Authorities

Other Investments and Loans	Investments £000	Interests in Joint Ventures £000	Mortgages and other loans £000	Available for sale assets carried at fair value £000	Available for sale assets carried at cost £000	Total £000
Balance at 1 April 2009	22,812	24,860	3,484	6,421	5,180	62,757
Issues/additions	-	4,110	4,214	3,351	4,636	16,311
Disposals/repayments	(1)	(264)	(4,682)	(562)	(67)	(5,576)
Fair value adjustment	(6,187)	(10,944)	46	-	-	(17,085)
Adjustments	-	903	(25)	(2,904)	(1,969)	(3,995)
Balance at 31 March 2010	16,624	18,665	3,037	6,306	7,780	52,412
Additions	-	1,893	411	4,130	4,762	11,196
Repayments	-	(50)	(718)	-	-	(768)
Fair value adjustment	(3,510)	(1,715)	26	(491)	(100)	(5,790)
Adjustment	-	(2,074)	(26)	(2,432)	(2,751)	(7,283)
Balance at 31 March 2011	13,114	16,719	2,730	7,513	9,691	49,767

Analysis of financial assets	WAG £000	Consolidated £000
As at 31 March 2011	1,749,929	1,695,853
As at 31 March 2010	1,592,814	1,550,621

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 a fair value adjustment which is calculated using the Student Loans Repayment Model (SLRM). Taking into account a number of factors the SLRM provides an estimate for the

cost of issuing loans by modelling future cash flows and discounting those to present values. The SLRM takes into account the interest subsidy inherent in the loans issued. The interest subsidy is the difference between the interest paid by students and the long term cost of borrowing set by HM Treasury.

The interest in joint venture projects values in the table above 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
 Llanelli Gate, Dafen
 Cross Hands West
 Swansea Town Centre
 Swansea Vale
 Cleddau Reach
 Rhyd-y-car, Merthyr
 Royal Dockyard, Pembroke Dock
 Baglan Energy Park Phase I
 Baglan Energy Park Phase II
 Former Coal Stoking Depot, Mountain Ash
 Station Yard, Aberdare
 53 Margaret St, Abercynon
 Phonetronics, Bridgend Science Park
 Clynnogfawr, Caernarfon
 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
 Wales International Business Park, Jt33 M4
 Beechwood Industrial Estate, Llandeilo

Other financial assets

	As at 31 March 2011		As at 31 March 2010	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
LHB Loans carried at amortised cost	-	26	-	25
	-	26	-	25

12. Movements in working capital other than cash

	Year ended		Restated	
	31 March 2011		Year ended	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Increase/(decrease) in inventories	(23,258)	(10,629)	(585)	12,463
Increase/(decrease) in receivables : non current	-	5,585	(21,801)	(22,920)
: current	(29,534)	(33,807)	(42,510)	(28,282)
(Increase)/decrease in payables : current	(81,288)	(106,141)	(35,678)	(91,231)
: non-current	8,673	13,648	8,860	14,341
Increase/(decrease) in other current assets	-	1	-	(3,753)
(Increase)/decrease in other liabilities	-	(3,003)	-	-
Increase/(decrease) in assets held for sale	-	(3,755)	-	192
National Loans Fund	39	39	33	33
	(125,368)	(138,062)	(91,681)	(119,157)
Development assets movement	19,933	9,963	14,940	7,270
Adjustments for accrual movement fixed assets	(1,495)	22,867	734	737
Finance Wales – movement in loan provisions	-	9,005	-	10,761
Impairment on current financial assets and liabilities	-	-	-	-
Other investments held as current assets	-	6,684	-	3,658
LHB working capital adjustment	-	7,898	-	(523)
Less movement in amounts payable to the Welsh Consolidated Fund and other non-operating cost balances	3,838	3,838	2,437	2,437
	(103,092)	(77,807)	(73,570)	(94,817)

13. Inventories - Development Assets

	As at		As at	
	31 March 2011		31 March 2010	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
As at 1 April	173,454	181,124	188,394	188,394
Additions	20,172	30,142	32,064	39,734
Disposals	(14,360)	(14,360)	(6,097)	(6,097)
Transfers	2,350	2,350	-	-
Impairment on revaluation	(28,095)	(28,095)	(40,907)	(40,907)
As at 31 March	153,521	171,161	173,454	181,124

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

14. Inventories

	31 March 2011		31 March 2010	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Road salt	455	455	197	197
Cadw/LHB raw materials and consumables	123	31,909	137	29,845
Cadw goods for resale	671	671	610	610
Telecommunication spares	3,212	3,212	3,643	3,643
Drugs	31,609	48,987	33,856	50,653
Fire Service devolution	-	-	952	952
	36,070	85,234	39,395	85,900

15. Trade receivables and other current assets

	31-Mar-2011		Restated 31-Mar-2010	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade receivables	84,379	135,183	56,949	111,748
Deposits & advances	112	112	191	191
NHS Trusts	-	9,674	-	12,808
Other tax	10,510	10,643	11,660	11,822
Prepayments and accrued income	13,635	33,915	15,783	37,417
Welsh Consolidated Fund	1,095	1,095	-	-
Loans receivable within one year	-	13,567	-	9,777
Accrued Income relating to EU	68,243	68,243	122,925	122,476
	177,974	272,432	207,508	306,239
Amounts falling due after more than one year:				
Finance Wales loans	-	37,040	-	31,891
Prepayments	-	1,854	-	241
Other receivables	-	5,909	-	7,086
	-	44,803	-	39,218
Total trade receivables and other current assets	177,974	317,235	207,508	345,457

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 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010
	£000	£000	£000	£000
Amounts falling due within one year:				
Balances with other central government bodies	89	1,995	-	-
Balances with local authorities	13,192	12,319	-	-
Balances with NHS Trusts	13,602	14,677	-	-
Balances with public corporations and trading funds	-	-	-	-
Subtotal: intra-government balances	26,883	28,991	-	-
Balances with bodies external to government	245,549	277,248	44,803	39,218
Total Trade receivables	272,432	306,239	44,803	39,218

16. Cash and cash equivalents

	WAG £000	Consolidated £000
Balance at 1 April 2009	115,089	190,018
Net change in cash and cash equivalent balances	(49,210)	48,019
Balance at 31 March 2010	65,879	238,037
Net change in cash and cash equivalent balances	(5,295)	(44,307)
Balance at 31 March 2011	60,584	193,730

	WAG As at 31 March 2011 £000	Consolidated As at 31 March 2011 £000	WAG As at 31 March 2010 £000	Consolidated As at 31 March 2010 £000
The following balances were held at:				
Government Banking Service	20,238	47,473	64,274	88,597
Commercial banks & cash in hand	40,346	146,257	1,605	149,440
Total	60,584	193,730	65,879	238,037

The Government of Wales Act 2006 established the Welsh Consolidated Fund from 1 April 2007. Cash drawn down but unused from the Exchequer during 2010-11 is repayable to the Welsh Consolidated Fund in 2010-11 £5,055,000 of the balance as at 31 March 2011 is repayable.

17. Trade payables and other current liabilities

	As at 31-Mar-2011		Restated As at 31-Mar-2010	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
Amounts falling due within one year:				
Other taxation and social security	5,348	52,455	5,733	54,823
Trade and other payables	263,613	391,922	255,905	440,607
Accruals & deferred income:				
European Union	103,883	103,883	68,821	68,821
Other accruals and deferred income	254,335	531,406	175,185	386,109
Amounts payable to the Welsh Consolidated Fund	24,437	24,437	64,924	64,924
NHS Trusts	-	5,647	-	10,201
Primary Care Trusts	-	33,133	-	34,170
Capital Creditors	-	57,857	-	35,202
Rebates	-	61	-	186
Current part of finance leases	401	401	363	363
Current part of imputed finance lease element of on balance sheet PFI	7,146	12,670	6,944	12,492
Staff Pensions	-	17,864	-	17,697
	659,163	1,231,736	577,875	1,125,595
Amounts falling due after more than one year				
Finance lease on Merthyr building and retentions on Highways contracts	7,759	7,759	8,161	8,161
Other payables, accruals & deferred income	-	3	1,126	1,321
Finance Wales -rebates	-	24	-	84
Imputed finance lease element of on balance sheet PFI contracts	158,670	244,959	165,815	256,499
Staff Pensions	-	-	-	328
	166,429	252,745	175,102	266,393
Total trade payables and other current liabilities	825,592	1,484,481	752,977	1,391,988

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 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010
	£000	£000	£000	£000
Amounts falling due within one year:				
Balances with other central government bodies	-	3,011	-	-
Balances with local authorities	56,903	29,312	-	-
Balances with NHS Trusts	49,464	46,048	-	-
Balances with public corporations and trading funds	-	-	-	-
Subtotal: intra-government balances	106,367	78,371	-	-
Balances with bodies external to government	1,125,369	1,047,224	252,745	266,393
Total Trade payables	1,231,736	1,125,595	252,745	266,393

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
Restated balance at 1 April 2009	3,049	288,566	291,615	3,049	372,376	375,425
Provided in the year	1,575	141,408	142,983	1,575	280,195	281,770
Provisions not required written back	-	-	-	-	(77,897)	(77,897)
Unwinding of provision	-	-	-	-	1,460	1,460
Transfer	-	-	-	-	(579)	(579)
Provisions utilised in year	(730)	(34,875)	(35,605)	(730)	(96,876)	(97,606)
Balance at 31 March 2010	3,894	395,099	398,993	3,894	478,679	482,573
Provided in the year	5,068	94,635	99,703	5,068	285,104	290,172
Provisions not required written back	-	-	-	-	(99,227)	(99,227)
Unwinding of provision	-	-	-	-	1,771	1,771
Transfer	-	-	-	-	60	60
Provisions utilised in year	(1,019)	(54,052)	(55,071)	(1,019)	(143,217)	(144,236)
Balance at 31 March 2011	7,943	435,682	443,625	7,943	523,170	531,113

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 2012)	3,593	176,591	180,184	3,593	176,591	180,184
Between 2013 and 2017	4,188	175,528	179,716	4,188	237,808	241,996
Between 2018 and 2022	94	17,685	17,779	94	35,434	35,528
Thereafter	68	65,878	65,946	68	73,337	73,405
Balance at 31 March 2011	7,943	435,682	443,625	7,943	523,170	531,113

Included in the amounts not expected to be called until after 2022 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 2011: £6,679,000

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 2011: £320,000

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 2011: £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 2011: £14,983,000

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 1st April 2003 (i.e. former Health Authority liabilities) are the responsibility of the Welsh Assembly Government. All costs and provisions post 1st April 2003 are the responsibility of the Local Health Boards. The deadline for retrospective claims was 4 December 2009.

(v) Hepatitis C provision – balance at 31 March 2011: £2,565,000

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. Additional support was agreed in March 2011.

(vi) Agenda for Change provision –balance at 31 March 2011: £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 2011: £1,037,000

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: £416,948,000

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

LHB Provisions

See accounting policy note 1.25. Details of the LHB provisions are provided in the LHB Summarised Account.

19. Other liabilities

	31-Mar-2011		Consolidated only Restated 31-Mar-2010	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
Current:				
Finance Wales borrowings	-	7,534	-	4,606
LHB other liabilities	-	3,343	-	3,268
	-	10,877	-	7,874
Non-current:				
Finance Wales borrowings	-	79,450	-	92,357
LHB other liabilities	-	1,770	-	2,061
	-	81,220	-	94,418

20. Capital Commitments

	31-Mar-2011		31-Mar-2010	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
Contracted capital commitments not otherwise included within these financial statements				
Property, plant and equipment				
Network Asset Construction	35,882	35,882	86,665	86,665
Local Health Boards	-	91,274	-	211,032
Economy and Transport	5,321	5,321	31,946	31,946
Central Services	2,323	2,323	2,272	2,272
Location Strategy	-	-	4,894	4,894
	43,526	134,800	125,777	336,809

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-2011		31-Mar-2010	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
Land				
Not later than one year	6	6	12	12
Later than one year and not later than five years	26	26	37	37
Later than five years	480	480	504	504
	512	512	553	553
Buildings				
Not later than one year	8,478	22,387	9,951	21,451
Later than one year and not later than five years	27,578	51,596	32,308	55,443
Later than five years	51,728	79,176	58,904	80,953
	87,784	153,159	101,163	157,847
Other:				
Not later than one year	205	205	285	285
Later than one year and not later than five years	140	140	56	84
Later than five years	-	-	-	-
	345	345	341	369
	88,641	154,016	102,057	158,769

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-2011		31-Mar-2010	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
Buildings				
Not later than one year	1,254	1,254	1,254	1,254
Later than one year and not later than five years	5,016	5,016	5,016	5,016
Later than five years	8,441	8,441	9,695	9,695
	14,711	14,711	15,965	15,965
Less interest element	(7,062)	(7,062)	(7,987)	(7,987)
	7,649	7,649	7,978	7,978

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.

Welsh Assembly Government only	31 Mar 2011	31 Mar 2010
	£000	£000
Total obligations under on balance sheet PFI contracts for the following periods:		
Not later than one year	17,000	16,000
Later than one year and not later than five years	69,000	69,000
Later than five years	230,000	247,000
	316,000	332,000
Less interest element	(49,366)	(54,376)
	266,634	277,624

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

22.3 Charges to the Statement of Comprehensive Net Expenditure and future commitments

The total charged in the Statement of Comprehensive Net Expenditure in respect of off-balance sheet PFI transactions and the service element of on-balance sheet PFI transactions was £11,517,555 (2009-10: £10,095,715); and the payments to which the Welsh Assembly Government is committed, is as follows:

Welsh Assembly Government only	31 Mar 2011 £000	Restated 31 Mar 2010 £000
Not later than one year	12,344	11,103
Later than one year and not later than five years	51,942	50,930
Later than five years	163,669	175,425
	227,955	237,458

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-2011		31-Mar-2010	
	WAG £000	Consolidated £000	WAG £000	Consolidated £000
Not later than one year	17,468	17,468	18,442	18,442
Later than one year and not later than five years	40,455	40,455	60,846	60,846
Later than five years	-	-	-	-
	57,923	57,923	79,288	79,288

Siemens Business Services provide information technology 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 commitments.

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 £411.7 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 2011 was £93.7 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 £4 million. The Environment Agency is assessing who is responsible for costs which will impact on the likelihood and magnitude of the costs to be incurred.

The Welsh Assembly Government has a contingent liability to underwrite the costs to secure a lease for Estyn. The liabilities would arise if Estyn could no longer fulfil its obligations under the lease. The lease is for 5 years at a cost of £143,000 per annum, the contract includes a rent free period from 17 January 2011 until 27 April 2012, therefore costs would only be incurred thereafter.

Other:

A potential disallowance of EU funding has been identified relating to the dual use of land. The probability of the liability being incurred is currently unknown and the costs are unquantifiable at this time.

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 2011		Year ended 31 March 2010	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Legal Claims – alleged medical or employer negligence	-	(108,872)	-	(127,426)
Potential contractual obligations under the WDA Act 1975	(17,135)	(17,135)	(17,138)	(17,138)
Other	(3,485)	(3,485)	(15)	(15)
	(20,620)	(129,492)	(17,153)	(144,579)

25. Interest

	Year ended 31 March 2011		Year ended 31 March 2010	
	WAG	Consolidated	WAG	Consolidated
	£000	£000	£000	£000
Interest Payable:				
Other	-	10,808	-	10,979
	-	10,808	-	10,979
Interest Receivable:				
Dividend received on PDC investments	-	-	(43,544)	(43,544)
Other loan interest (including Health and Student loans)	(19,392)	(20,911)	(12,313)	(13,568)
	(19,392)	(20,911)	(55,857)	(57,112)

26 National Loans Fund

	National Loans Fund £000
Balance at 1 April 2010	11,749
Repayments during year	(39)
Balance at 31 March 2011	11,710
Amounts falling due within 1 year	45
Amounts falling due between 1 and 5 years	258
Amounts falling due after 5 years	11,407
Total	11,710

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 2011 £000	Year ended 31 March 2010 £000
Health & Social Services	5,388	5,388
Social Justice & Local Government	-	14,842
Environment, Sustainability & Housing	94,551	79,709
Economy & Transport	16,478	16,478
Children, Education, Lifelong Learning & Skills	45,699	45,699
Total Unhypothecated Supported Borrowing	162,116	162,116

28. Losses and Special Payments

a) Losses (Excluding Local Health Boards)

	Year ended 31 March 2011			
	WAG		Consolidated	
	No of Cases	£000	No of Cases	£000
Cash Losses	45	86	45	86
Claims Abandoned	251	14,399	251	14,399
Fruitless Payments	-	-	-	-
Store Losses	-	-	-	-
	296	14,485	296	14,485

	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
	137	7,167	137	7,167

b) Special Payments (Excluding Local Health Boards)

	Year ended 31 March 2011			
	WAG		Consolidated	
	No of Cases	£000	No of Cases	£000
Special Payments	10	225	10	225
	10	225	10	225

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

Details on losses that exceed £250,000:

Abandoned claims:	£000
Haddon House Furniture	300
Immtech Training	583
Prestige Mobility	250
Wasp-it	338
Pure Insurance	890
Creative Outsourcing Solutions International	1,140
National Training Partnership	857
Eden Industries/Layton Group	250
Crosslink	349
Picture Financial Group	850
Dolgarrog Aluminium	2,552
Cardiff Chamber of Commerce	1,041

c) Local Health Boards: Losses and Special Payments

	Year ended 31 March 2011		Year ended 31 March 2010	
	No of Cases	£000	No of cases	£000
Medical Negligence	534	64,208	441	37,347
Personal Injury	502	6,751	435	4,983
Other	1,430	6,789	1,823	1,689
	2,466	77,748	2,699	44,019

29. Related Party Transactions

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

The Welsh Assembly Government 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
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 Ltd which received business support grants of £24,830 during the year.

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

Related party transactions of the Local Health Boards in Wales, and other subsidiary companies are disclosed in their own published accounts.

30. Interreg

a) 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 2011		Year Ended 31 March 2010	
		€000	€000	€000	€000
Income	EU Funding		-		646
Grant Expenditure	Ireland	-		(288)	
	Wales	-		(358)	
				(646)	
Other Expenditure	Bank Charges	1		-	
	Exchange Gain	(21)		20	
Total Expenditure			(20)		(626)
Net			(20)		20

Balance Sheet as at 31 March 2011

		Year Ended 31 March 2011		Year Ended 31 March 2010	
		£000	€000	£000	€000
Trade and other receivables		579	641	585	638
Cash		1,137	1,258	1,153	1,256
Trade and other payables		(1,255)	(1,389)	(1,252)	(1,364)
Assets less liabilities		461	510	486	530
General Fund		461	510	486	530

b) Interreg DE-LAN

Interreg De-Lan (Digital Ecosystems-Learning Applications Network) is a project to improve the effectiveness of regional development policies for the knowledge economy. Income and expenditure of £151,000 was received and spent in 2010-11 on this project.

31. 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 2011

Name of company	Description of investment	Proportion held	Share capital and reserves	Profit/ (Loss) for the year
		%	£	£
Welsh Development Management Ltd	1 ordinary £1 share	100	1	Nil
Finance Wales PLC	12,500 ordinary £1 shares	100	50,531,691	5,893,242

Finance Wales plc was a wholly owned subsidiary company of the Welsh Assembly Government. The results for the year show a profit of £5,893,242 (2009-10 – £6,318,158) and share capital and reserves of £50,531,691 (2009-10 £41,062,857), 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.

32. 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.

The Cadw estate in care is held in 3 ways:

- 'Guardianship' – where the freeholder places a monument in the guardianship of the state in perpetuity, the state takes full responsibility for the conservation, management and public accessibility. The freeholder retains ownership of the site and any contents unless a separate agreement is reached. These monuments can not be disposed of without agreement of the freeholder.
- By deed or gift or very rarely compulsory purchase – for their preservation and display to the public. Welsh Assembly Government would be the owners in this instance and can dispose of the assets if it chooses.
- Cadw can be managers – where monuments are placed into its care by other government departments or the Crown Estate. This is equivalent to guardianship.

There are currently 127 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

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. According to an audit of collections carried out in 2002, which used sampling to estimate the general extent of NMRW's holdings, heritage assets comprise of over 1.25 million photographs, over 70,000 plans and drawings and 50,000 historic maps in addition to thousands of surveys and reports.

Further details can be found in Coflein, an online interactive mapping and database for the NMRW which can be found at www.coflein.gov.uk.

33 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.

33a. 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).

For 2010-11, employers contributions of £34,654,127 were payable to the PCSPS (2009-10: £35,504,932) at one of four rates in the range 16.7 to 24.3 per cent (2009-10: 16.7 to 24.3) based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2011-12, 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 2010-11 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 £138,091 (2009-10: £187,113) 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 £138,091.

Contributions due to the partnership pension providers at the balance sheet date were £nil (2009-10: £nil). Contributions prepaid at the date were £nil (2009-10: £nil). 5 individuals retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £9,561.03.

33b. Former Welsh Development Agency Employees

Former Welsh Development Agency and Finance Wales PLC employees transferred to the Welsh Assembly Government on 1 April 2006 but remained on their existing terms and conditions and pension arrangements, until new arrangements could be agreed. 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 Welsh Development 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 2010 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.

FUNDED BENEFITS

Main financial assumptions used

	At 31 March 2011	At 31 March 2010	At 31 March 2009
Rate of increase in Salaries	5.20%	4.25%	5.1%
Rate of increase in Pensions in payment	2.80%	2.75%	3.6%
Rate of increase to deferred pensions	2.80%	2.75%	3.6%
Discount rate	5.4%	4.6%	6.5%
RPI Inflation assumption	3.70%	2.75%	3.6%
CPI Inflation assumption	2.80%	n/a	n/a

The expected rate of return on assets were:

	Long-term rate of return expected at 31 March 2011 % pa	Asset split at 31 March 2011 %	Long-term rate of return expected at 31 March 2010 % pa	Asset split at 31 March 2010 %	Long-term rate of return expected at 31 March 2009 % pa	Value at 31 March 2009 %
Equities	8.4	68.0	8.0	66.8	7.0	61.7
Property	7.9	6.8	8.5	5.9	6.0	4.3
Government bonds	4.4	10.4	4.5	14.1	4.0	17.9
Corporate bonds	5.1	12.9	5.5	10.1	5.8	8.4
Cash	1.5	1.9	0.7	3.1	1.6	4.2
Other	8.4	-	8.0	-	1.6	3.5
Total	7.4	100	7.1	100	5.9	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 2011.

Reconciliation of funded status to balance sheet

	Value as at 31 March 2011 £000	Value as at 31 March 2010 £000	Value as at 31 March 2009 £000
Fair value of assets	91,570	87,070	68,160
Present value of funded defined benefit obligation	(159,530)	(163,090)	(129,500)
Asset/(liability) recognised on statement of financial position	(67,960)	(76,020)	(61,340)

Analysis of income and expenditure/profit and loss charge

	2010-11 £000	2009-10 £000
Current service cost	2,250	1,990
Past service cost	(18,450)	140
Interest cost	6,800	8,300
Expected return on assets	(6,140)	(3,940)
Curtailed cost	-	-
Settlement cost	-	290
Expense recognised	(15,540)	6,780

Changes to the present value of liabilities during the accounting period

	2010-11 £000	2009-10 £000
Opening present value of defined benefit obligation	163,090	129,500
Current service cost	2,250	1,990
Interest cost	6,800	8,300
Contributions by participants	880	1,010
Actuarial (gains)/losses on liabilities*	9,600	27,840
Net benefits paid out#	(4,640)	(4,800)
Past service cost	(18,450)	140
Settlements	-	(890)
	<u>159,530</u>	<u>163,090</u>

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

	2010-11 £000	2009-10 £000
Opening fair value of assets	87,070	68,160
Expected return on assets	6,140	3,940
Actuarial gains/(losses) on assets	(3,050)	20,530
Contributions by the employer	5,170	3,950
Contributions by participants	880	1,010
Net benefits paid out#	(4,640)	(4,800)
Net increase in assets from disposals and acquisitions	-	(4,530)
Settlements	-	(1,190)
	<u>91,570</u>	<u>87,070</u>

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

	2010-11 £000	2009-10 £000
Expected return on assets	6,140	3,940
Actuarial gain/(loss) on assets	(3,050)	20,530
	<u>3,090</u>	<u>24,470</u>

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

	2010-11 £000	2009-10 £000
Fair value of assets	91,570	87,070
Present value of defined benefit obligation	(159,530)	(163,090)
	<u>(67,960)</u>	<u>(76,020)</u>

History of experience gains and losses

	2010-11	2009-10
	£000	£000
Experience gains/(losses) on assets	(3,050)	20,530
Experience gains/(losses) on liabilities	(1,570)	1,150

UNFUNDED BENEFITS

Main financial assumptions used

	At 31 March 2011	At 31 March 2010	At 31 March 2009
Rate of increase in Pensions in payment	2.7%	2.75%	3.6%
Discount rate	5.5%	4.6%	6.5%
RPI Inflation assumption	3.6%	2.75%	3.6%
CPI Inflation	2.7%	n/a	n/a

Reconciliation of funded status to balance sheet

	2010-11	2009-10	2008-09
	£000	£000	
Present value of liabilities	8,280	8,620	8,300
Net pension asset(liability)	(8,280)	(8,620)	(8,300)

Analysis of income and expenditure/profit and loss charge

	2010-11	2009-10
	£000	£000
Current service cost	-	-
Past service cost	(710)	30
Interest cost	360	520
Expense recognised	(350)	550

Changes to the present value of liabilities during the accounting period

	2010-11	2009-10
	£000	£000
Opening present value of liabilities	8,620	8,300
Current service cost	-	-
Interest cost	360	520
Actuarial (gains)/losses on liabilities*	680	460
Net benefits paid out#	(670)	(690)
Past service cost	(710)	30
Closing present value of liabilities	8,280	8,620

*Includes changes to the actuarial assumptions

History of present value of liabilities and surplus/deficit

	2010-11	2009-10
	£000	£000
Present value of liabilities	8,280	8,620
Surplus/(deficit)	(8,280)	(8,620)

History of experience gains and losses

	2010-11	2009-10
	£000	£000
Experience gains (losses)	(180)	420

33c. 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' (BTB) Staff Pension and Life Assurance Scheme.

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 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.

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 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 6.54% per annum; that salary increases would average 3.5% per annum; and that pensions would increase in payment at 3.5% per annum.

The interim valuation showed that the value of the scheme's assets was £204 million and that the actuarial value of those assets represented 92% 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).

34. 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 most of 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%. 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 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 decreases 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 is being 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.

