

Welsh Government Llywodraeth Cymru Consolidated Accounts 2012-13

Government of Wales Act 2006

Accounts of the Welsh Assembly Government (known as Welsh Government) are prepared pursuant to Section 131 of the Government of Wales Act 2006 for the year to 31 March 2013, together with the Certificate and Report of the Auditor General for Wales thereon.

Laid before the Assembly on 29th July 2013 pursuant to the Government of Wales Act Section 131

Welsh Government

Consolidated Annual Report and Accounts 2012-2013

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Introduction from Permanent Secretary, Derek Jones



This is the first annual report and accounts that I have signed for the Welsh Government. On my appointment as Permanent Secretary in October 2012, the First Minister was very clear with me about his priorities for his government and the civil service that supports it.

Doing everything we can to support people in Wales in difficult economic times, delivering investment in jobs and growth, and through these, tackling poverty and inequality, remain the Welsh Government's top priorities.

Progress in delivering those objectives over the past year is set out in the second annual **Programme for Government Report**, published in June 2013. The Report is a comprehensive and transparent account of the actions Welsh Government has taken to meet its aims and what has been achieved so far. The evidence shows that positive progress has clearly been made across portfolios with real results for people and communities. But the report is also candid about what we still have to do.

The ability to make laws is an essential part of the toolkit for any government in pursuing an ambitious policy agenda. The referendum of 2011 saw responsibility for primary legislation transfer to the Welsh Government for most aspects of Welsh life. In this last year, we have seen that vote of confidence by the Welsh public translated into devolution history as the first laws, designed in Wales to address our specific challenges, moved from inception through to statute. The Local Government Bylaws (Wales) Bill became the first Welsh Government Bill to receive Royal Assent and was sealed by the First Minister.

This is the beginning of something incredibly important for us as a civil service supporting a devolved government. Our ability to effectively deliver the Cabinet's legislative programme has been a particular area of focus for me in my first months as Permanent Secretary and it will continue to be a priority agenda for the organisation in the years ahead.

Legislative capability is undoubtedly an essential attribute that the organisation must grow and nurture. As Permanent Secretary, I am also directly accountable to the First Minister for the capability and capacity of the civil service as a whole. Shortly after I joined the organisation in October last year, I commissioned three Rapid Reviews to look at how we can strengthen our ability to deliver for Ministers. The reviews looked at whether our resources are properly aligned to government priorities; whether we have the skills and capabilities we need for the future; and how we can reduce bureaucracy and complexity in our decision making.

Actions are now being implemented, including redirecting resources from our central services into frontline Ministerial priorities, streamlining and simplifying our major processes and strengthening our investment in the ICT that supports people to work effectively. As with all major improvement activities, this work comes with potential governance risks and to help me manage those I have established a Steering Group to oversee implementation of the actions.

In 2011 and 2012, the organisation took some really hard steps to put itself on a sound financial footing, including losing 1000 people through voluntary severance arrangements. My Reviews are the next stage in our development as an agile, well-connected government civil service. The Review actions form the backbone of our Welsh Government approach to civil service reform.

In the years ahead, the main challenge facing Welsh Government civil servants will be how we effectively support Ministers in the next stage of the devolution journey, while continuing to focus on – and deliver – in the priority areas of investment, jobs and tackling poverty. At the end of March 2013, the First Minister set out the Welsh Government’s vision for the future of devolution in Wales in evidence to the Silk Commission. If the conclusion of the Silk Commission process results in more devolved powers accruing to the Welsh Government, we will have even greater flexibility to tailor policies and delivery options to Welsh circumstances. Retaining the confidence of our Ministers and the Welsh public as we meet this challenge will be the mark of our success.

I would like to thank Welsh Government civil servants for their work over the past year, for welcoming me back to the organisation, and for taking on with enthusiasm and pace the challenges Ministers have set us. Ensuring that our organisation is fit and ready for an exciting future is one of my main tasks, and I look forward to reporting to you again next year on the progress we have made.

Derek Jones

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.

Programme for Government

The Programme for Government is the roadmap for the rest of this Assembly term. It represents a real commitment to delivery and a move away from an approach to measuring success that placed too much emphasis on the amount of money spent, or the number of policies implemented, rather than the impact government is actually having on people's lives.

It emphasises the outcomes the Welsh Government is working towards: healthy people living productive lives in a more prosperous and innovative economy; safer and more cohesive communities, with lower levels of poverty and greater equality; a resilient environment with more sustainable use of our natural resources and a society with a vital sense of its own culture and heritage.

Each of the 12 chapters of the Programme sets out:

- **The high-level aim:** what the Government is working towards.
- **Key actions to deliver improvements:** highlighting key commitments and important existing initiatives that will help make progress.
- **How we will know our actions are on track:** setting out what evidence will be used to assess whether our key commitments are on track to deliver.
- **The big long-term challenges that the actions will contribute to meeting:** outcome indicators of long-term success.
- **Which department is accountable for delivery:** listing the Ministers responsible for delivering the work that contributes to each chapter.
- **Who are the key partners:** acknowledging the fact that frontline service providers, businesses, charities, in fact everyone in Wales has a role to play in the success of this Programme.

Underpinning all of this work is our commitment to sustainable development, in terms of well-being, as our core organising principle. The key aspects of well-being, including action on social justice, poverty and equality and living within environmental limits, are woven throughout the Programme

The Cabinet

Following the elections to the National Assembly for Wales in May 2011 until March 2013, there were eight Cabinet Ministers and three Deputy Minister posts, plus the Counsel General:

Carwyn Jones	First Minister
Leighton Andrews	Minister for Education and Skills
John Griffiths	Minister for Environment and Sustainable Development
Lesley Griffiths	Minister for Health and Social Services
Edwina Hart MBE	Minister for Business, Enterprise, Technology and Science
Jane Hutt	Minister for Finance and Leader of the House
Huw Lewis	Minister for Housing, Regeneration and Heritage
Carl Sargeant	Minister for Local Government and Communities
Theodore Huckle	Counsel General
Alun Davies	Deputy Minister for Agriculture, Fisheries, Food and European Programmes
Jeff Cuthbert	Deputy Minister for Skills
Gwenda Thomas	Deputy Minister for Children and Social Services

There was a Cabinet reshuffle on 18 March 2013 resulting in ten Cabinet Ministers and two Deputy Minister posts, plus the Counsel General:

Carwyn Jones	First Minister
Leighton Andrews	Minister for Education and Skills
John Griffiths	Minister for Culture and Sport
Lesley Griffiths	Minister for Local Government and Government Business
Edwina Hart MBE	Minister for Economy, Science and Transport
Jane Hutt	Minister for Finance
Huw Lewis	Minister for Communities and Tackling Poverty
Carl Sargeant	Minister for Housing and Regeneration
Alun Davies	Minister for Natural Resources and Food
Mark Drakeford	Minister for Health and Social Services
Theodore Huckle	Counsel General
Jeff Cuthbert	Deputy Minister for Skills and Technology
Gwenda Thomas	Deputy Minister for Social Services

Further changes were made to the Cabinet in June 2013 and will be reported in 2013-14.

Board Membership

In 2012-13 the Board was made up of seven people at Director General (DG) level, each leading major areas of Government responsibility in support of Ministers. The Board also included three Non Executive Directors who brought a wide range of experience and external scrutiny to its work. (For 2013-14 onwards the Director of Governance and Director of Legal Services are also members of the Board).

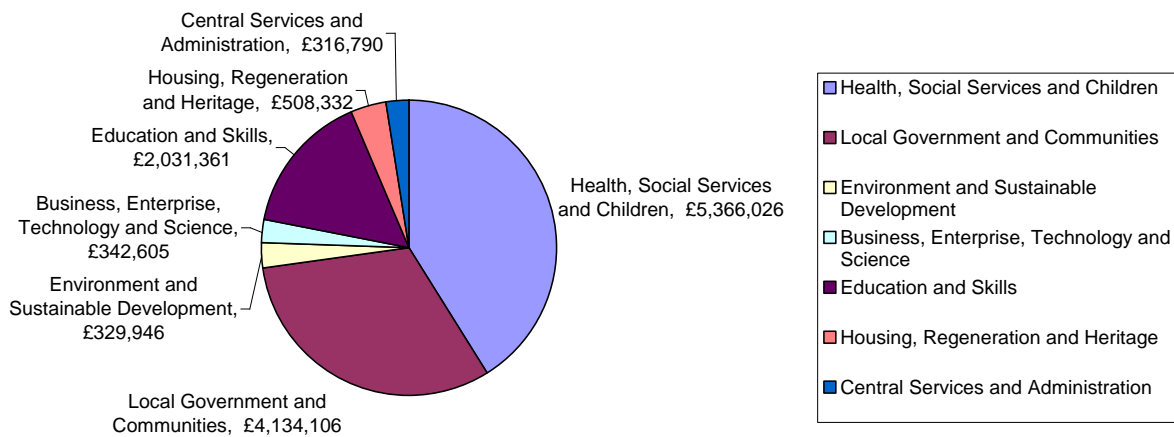
Board membership details for the year are provided below:

Member	Position	Notes	Meetings Attended
Derek Jones	Permanent Secretary	From October 2012	6/6
Gillian Morgan	Permanent Secretary	Until August 2012	2/4
Owen Evans	DG, DfES	From December 2012	4/4
Bernard Galton	DG, PPCS		10/11
Michael Hearty	DG, SPFP		9/11
Gareth Jones	DG, SF		11/11
June Milligan	DG, LGC		11/11
James Price	DG, BETS/EST		11/11
Emyr Roberts	DG, DfES	Until October 2012	5/6
David Sissling	DG, HSS		8/11
Elan Closs Stephens	Non-Executive Director		10/11
James Turner	Non-Executive Director		11/11
Adrian Webb	Non-Executive Director		10/11

What the Welsh Government spends

In line with the approved budget the Welsh Government spent more than £13bn on behalf of people in Wales during 2012-13. Spending was broken down across key areas of responsibility as shown in the pie chart below.

Net Ambit Expenditure 2012-13 (£000)



All activities are continuing for financial reporting purposes up to 31 March 2013.

The outturn of £13,060,089,000 (2011-12: £12,999,608,000) compared to the Final Budget of £13,113,318,000, resulting in an under-spend of £53,229,000 (Page 29) which is 0.4% of the total budget. This includes an adjustment of £30,923,000 which is income received, primarily from the European Union, in excess of the budget which has to be surrendered to the Welsh Consolidated Fund. The departments are reported in line with the voted budgetary format. Following the Cabinet reshuffle in March 2013, the departments were subsequently re-aligned to the Ministerial portfolios, which will be reported on in the 2013-14 accounts.

Four departments had outturn variances against budget which are above £10m.

For Health, Social Services and Children the under-spend of £12,898,000 related to a lower than anticipated increase in the provision for clinical negligence claim reimbursements of the Welsh Risk Pool, due to a change in the profile of claims assessed as probable.

Local Government and Communities had an under-spend of £29,736,000 which relates to two main items, the impairment and the depreciation on the road network. Impairment costs were £21m under the ring-fenced AME budget as, rather than impairing some assets as originally forecast, these were transferred to Local Authorities and so continue to be used and thus did not incur any notional impairment charge. Depreciation on the network is volatile and difficult to predict accurately; the £7m under-spend of the non-cash cost represents only 5% of the budget.

Education and Skills had an under-spend of £19,095,000 which includes a net under-spend of £14m on student loans non-cash charges, and £5m recovery of reserves from Careers Wales.

Central Services and Administration had an under-spend of £11,942,000 which includes under-spending on: Staff Costs of £3m, ICT of £2m, general overheads of £3m and movements on provisions of £4m.

The Welsh Government reviews performance and allocates resources according to the voted budget shown on Page 29. The expenditure groupings represent the appropriate operating segments, and therefore a separate segmental report is not required.

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

The accounts present the results of the Welsh Government for the year ending 31 March 2013 and its assets and liabilities at that date. The Welsh Government's core activities incorporated the expenditure of the Royal Commission for Ancient and Historic Monuments (Wales) (RCAHMW). The Welsh 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 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 Government to have a material impact on these consolidated financial statements. Accordingly, no adjustments have been made to reflect differences in accounting policies.

At 1 June 2012 the functions of NHS Wales Shared Services which had operated as a virtual entity hosted by a number of LHBs and NHS Trusts transferred to Velindre NHS Trust to form NHS Wales Shared Services Partnership. The net value of assets and liabilities transferred was £2.06 million which were accounted for in accordance with the FReM by absorption accounting adapted for the issue of Public Dividend Capital. All transactions and balances related to those functions pre 1 June 2012 are included in the transferor accounts and post 1 June 2012 these are included in Velindre NHS Trust's financial statements. Further details can be found in the NHS Summarised Accounts, or the accounts of the individual LHBs and NHS Trusts.

Results for the year

The results for the period are reported in detail in the attached accounts. The Consolidated Statement of Net Expenditure (Page 30) records net comprehensive expenditure of £12,624,728,000 (2011-12: £12,065,050,000). The net assets (Page 31) have decreased slightly by £4,222,000. This is mainly due to decreases in non-current and cash assets, offsetting increases in student loan and investment assets.

Movements in property, plant and equipment

Property, plant and equipment additions in the period (Note 9) were £292,977,000. Property, plant and equipment assets were re-valued in the period, resulting in a net decrease in value of £10,199,000.

Lending and investing activities

As part of its normal course of business, the Welsh 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 Government has responsibility for managing the pre-existing National Loans Fund loans.

At 31 March 2013 the Welsh Government and its related bodies had financial assets (Note 11) totalling £2,172,788,000 comprising Public Dividend Capital of £131,602,000; Student Loans of £1,909,476,000; local authority loans of £9,998,000; investments of £85,398,000; interests in joint ventures of £14,832,000; other loans of £1,829,000; and property assets available for sale £19,653,000.

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

The Welsh 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 Government. These charges and disclosures are included in Notes 5, 6 and 7.

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 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

Details of the management structure and governance arrangements for the organisation are set out in the Governance Statement on page 21 of this document.

Senior appointments and remuneration

The Prime Minister's role in making Senior Civil Service appointments in a devolved administration has been delegated to the Head of the Civil Service. The Permanent Secretary was appointed by the Head of the Civil Service with the agreement of the First Minister.

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 2012-13.

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 Board, remuneration is determined by the Senior Staff Remuneration Committee chaired by a Non-Executive Director and attended 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.

Events since the end of the financial period

Nil

Our role as an employer

Although the financial pressures of the last few years have made our operating environment extremely tough – including a rapid downsizing – Welsh Government employee engagement scores have risen rather than declined in the last year according to our latest People Survey results, and are higher than the benchmark for the UK Civil Service as a whole.

We make a significant investment in our learning and development programme to ensure our people have the training they need to meet Ministerial expectations and fulfil their own potential. We currently spend an average of £1000 a year on training for every member of our staff, putting us in the top ten% of UK organisations for investment in L&D. Our Programme of Learning is comprehensive and accessible to everyone, enabling our employees to understand the skills expected in their work and secure the training they need to improve in key areas such as finance or programme and project management.

We also aim to ensure the health, safety and welfare of our employees whilst they are in work, and, as far as possible, provide them with the help they need to deal with pressures outside work. Our well-established occupational health programme is designed to support managers and individuals in maintaining and improving their wellbeing and that of their teams. Our sickness absence rates benchmark well with comparable government organisations.

Welsh Government Sickness Absence	2012-13	2011-12
Days Lost (short term)	19,844	18,324
Days Lost (long term)	19,120	19,080
Total Days Lost (12 month period)	38,964	37,404
Total staff years	5,293	5,296
Total staff employed in period (headcount)	5,965	6,160
Total staff employed in period with no absence (headcount)	2,448	2,735
% staff with no sick leave	41%	44%
Average working days lost	7.4	7.1

Our commitment to equality

Equality, inclusion and human rights are at the heart of the Welsh Government. The core principle underpinning the Programme for Government is wellbeing; equality and inclusion are integral to this and both are woven throughout the Programme as well as being reflected in Chapter 8, 'Standing up for Equality'.

The Welsh Government was the first administration in Britain to regulate to introduce public sector specific equality duties and are set out in the Equality Act 2010 (Statutory Duties)(Wales) Regulations 2011. In compliance with the duties, Welsh Government, along with other public sector bodies, published its Strategic Equality Plan (SEP) and outcome focused equality objectives on 2nd April 2012, following considerable public engagement. Engagement, involvement and consultation with stakeholders are a fundamental requirement of the duties, unlike in other countries in the UK.

The equality objectives allow us to identify and tackle barriers to equality and strengthen the existing evidence base, achieving better outcomes for the people of Wales. Together with the Tackling Poverty Action Plan, the SEP and equality objectives provide the framework for targeted action to address the most entrenched inequalities in our communities, helping those who are most in need.

Our internal Equality and Diversity and Equal Opportunities policies embody our approach as an employer. We expect everyone to behave in a manner which respects the dignity of colleagues, business partners and contacts, customers and members of the public at all times.

Welsh Government – Staff Diversity Breakdown at 31 March 2013

		Total	%	SCS %
Gender	Female	3,290	58	43
	Male	2390	42	57
Ethnicity	Other ethnicity	100	2	-
	White	5,130	90	86
	Prefer not to say	210	4	*
Disability	No reply	240	4	*
	Disabled	250	4	*
	Non-disabled	4,960	87	86
	Prefer not to say	240	4	*
Belief	No reply	230	4	*
	Other belief	1,050	19	21
	Christianity	2,460	43	43
	No belief	100	2	-
	Prefer not to say	1,800	32	29
Sexual orientation	No reply	270	5	*
	Other sexuality	130	2	*
	Heterosexual	4,470	79	79
	Prefer not to say	800	14	7
	No reply	270	5	*

*All figures are rounded to preserve confidentiality.
 All percentages are based on rounded figures to preserve confidentiality.
 Where the figure is less than 5 it is represented by * to preserve confidentiality

Our commitment to the Welsh Language

The Welsh language is unique and the Welsh Government is committed to protecting this important part of our cultural identity. As part of this commitment, a new Welsh Language Commissioner’s office was established on 1 April 2012. Since then, the Welsh Government has responded to the Welsh Language Commissioner’s proposals on Welsh language standards, to be made in accordance with the Welsh Language (Wales) Measure 2011 and more progress is expected on establishing these standards in the year ahead.

From a policy perspective, the Welsh Government’s current Welsh language scheme will be operational from 2011 until 2016 (or until it is superseded by Welsh language standards, in accordance with the Welsh Language Measure). The Welsh Government publishes an Annual Report on the Welsh Language which provides details on progress made by each of our departments in mainstreaming the Welsh language into policy development. The 2012/13 report will be published in July 2013.

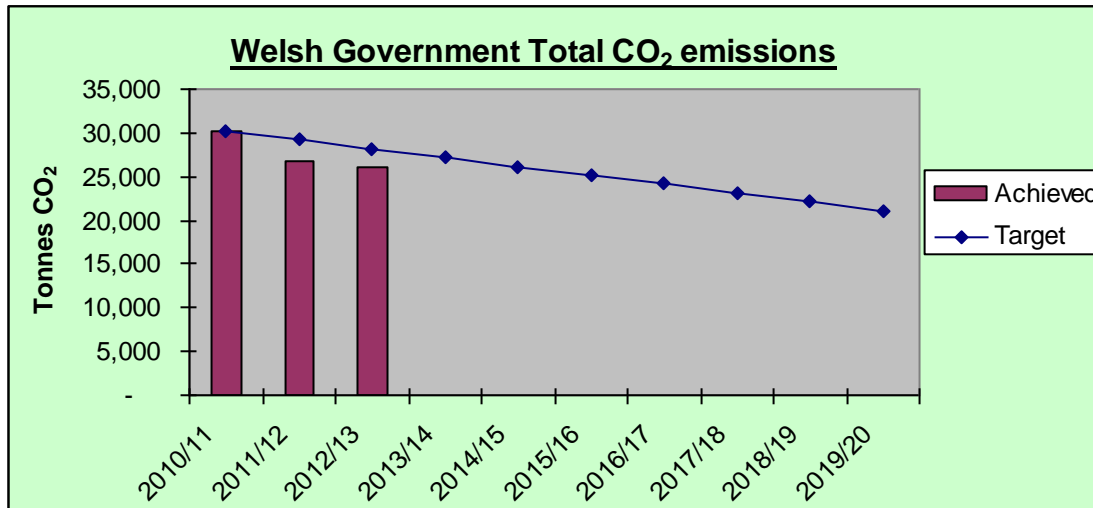
Internally, during 2012 a task and finish group was established by the Board to consider how the Welsh Government could improve its ability to work bilingually. The report recommendations are currently being implemented and in the years ahead we hope to see a measurable increase in the number of Welsh Government employees who feel confident and able to use Welsh in the workplace.

Sustainability

Environmental Performance

The Welsh Government continues to place sustainable development as its central organising principle. We do everything we can to ensure that decisions are taken in an integrated, joined-up way to achieve the Government's vision of a sustainable Wales.

Our commitment to sustainability includes how we manage the environmental impacts of our activities. For example, the Welsh Government has committed to achieve at least a 30% reduction in our greenhouse gas emissions by 2020 (on a 2011 baseline). This not only ensures alignment with our Climate Change Strategy¹, but also shows leadership to the public sector and more broadly, to the citizens of Wales. The results to date indicate positive progress:



Note: The 2012/13 figure is an estimate.

We are participants in UK Government's Carbon Reduction Commitment Energy Efficiency (CRC) Scheme. Commencing in 2010/11, this required expanding our greenhouse gas emissions monitoring from our Administrative Estate (the buildings in which we deliver Government business) to include energy consumption responsibilities for our transport network (principally trunk road lighting and communications infrastructure); our trading portfolio (buildings we make available for Welsh businesses); and historic monuments and buildings in our care. This broadening enabled us to improve our emissions management across this wider portfolio.

Between 2010/11 and 2011/12, CRC reported emissions were reduced by 18%. This was achieved through a combination of energy efficiency measures and building rationalisation. It is recognised that this level of performance is not sustainable.

On a broader front, we monitor and manage a range of environmental impacts across our Administrative Estate. Details are published each autumn in our 'State of the Estate' report², which contains a chapter on environmental performance against a number of key performance indicators.

¹ Details can be found at <http://wales.gov.uk/docs/desh/publications/101006ccstratfinalen.pdf>

² The latest version can be found at <http://wales.gov.uk/docs/hrd/publications/121107stateestate.pdf>

Further details on our greenhouse gas emissions, waste produced are shown below.

Greenhouse Gas Emissions		2010-11	2011-12	2012-13	Comments
Non-Financial Indicators (’000 tCO ₂ e)	Total Gross Emissions	12.1	10.4	10.4	Overall 17% reduction
	Total Net Emissions	12.1	10.4	10.4	
	Gross Emissions Scope 1 (Gas)	1.9	1.9	1.9	No overall change
	Gross Emissions Scope 2 (Electricity)	10.2	8.8	8.5	Overall 20% reduction
Related Energy Consumption (million KWh)	Electricity: Non-renewable	17.2	12.0	11.9	No split known for 2009-10.
	Electricity: Renewable	1.8	4.0	4.0	
	Gas	10.0	8.6	10.2	
	LPG	0.0	0.0	0.0	Negligible
Financial Indicators (£million)	Expenditure on Energy	2.18	2.01	na	
	CRC Allowances (2012 onwards)	0	0.178	0.202	
	Expenditure on official business travel	4.77	3.98	na	

Waste		2010-11	2011-12	2012-13	Comments	
Non-Financial Indicators (tonnes)	Total Waste	848	665	651	2012/13 is estimated based on actuals from 2011/12.	
	Hazardous Waste	Total	-	1	1	Data before 2011/12 is not available
		Non-Hazardous Waste	Landfill	216	268	218
	Reused/ Recycled		550	448	355	All waste data includes some estimation due to the nature of collection.
	Composted		-	76	76	Data before 2011/12 is not available

Operating fairly and transparently

We are committed to operating both fairly and as transparently as possible. To demonstrate this commitment, 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 2012 we received 981 requests for information, and information was provided in response to 65% of the resolvable requests. No information was held in relation to 35% of the resolvable requests. We actively maintain a comprehensive log of responses issued on our website.

We are 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/services or valid invoices, whichever is the later. Our policy is to pay purchase invoices immediately on satisfactory receipt of goods/services. During the year ending 31 March 2013, records from across Welsh Government showed that 99% of invoices were paid within 30 calendar days, and 97% were paid within 10 calendar days. The relevant percentages of invoices paid within the terms of their payment policies by the Local Health Boards, and subsidiaries are disclosed in their respective accounts.

Managing your information securely

Good information and records management is very important to us as an organisation, both operationally and in terms of reputation and public trust. We train all our staff in secure management of information and regularly share lessons across the organisation on where we can improve. Consequently, the number and severity of notified incidents on personal data in the past year are comparatively low, as can be seen in the tables below. However, we are not complacent and will maintain our focus on managing information in the years ahead.

Personal data

Table 1: Summary of Protected Personal Data related incidents formally reported to the ICO in 2012-2013				
Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
February	Employee details from a 3 rd party company were emailed to three other companies in a template document.	Employee details included: names, addresses, NI numbers, wages and other equal opportunity data	48	Company contacted regarding incident. The three companies who received the email were contacted and have deleted the data. The ICO has been notified.
Further action on information risk	An audit of electronic templates has been planned. Awareness raising and records management advice has been provided.			

Table 2: Summary of Other Protected Personal Data related incidents in 2012-13		
Incidents deemed by the Data Controller not to fall within the criteria for report to the ICO but recorded centrally within the Department are set out in the table below		
Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	3
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	5
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	6
V	Other	3

REMUNERATION REPORT 2012-13

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 Annual Report. The Welsh Government has delegated responsibility for the remuneration of non-SCS staff.

The Review Body also advises the Prime Minister on the pay and pensions of Ministers where 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

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

Remuneration (including salary) and pension entitlements *

*This section is subject to audit and is covered by the Auditor General's audit opinion.

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

Remuneration

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

Ministers	Salary 2012-13 £	Salary 2011-12 £	Accrued Pension at pension age as at 31/03/13 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/13	CETV at 31/03/12	Real increase in CETV
Carwyn Jones <i>First Minister</i>	132,427	132,402	30-35	2.5-5	482	422	25
Edwina Hart <i>Welsh Minister</i>	94,611	94,598	35-40	0-2.5	520	473	14
Lesley Griffiths <i>Welsh Minister</i>	94,611	92,855	15-20	0-2.5	223	185	19
Jane Hutt <i>Welsh Minister</i>	94,611	94,598	35-40	0-2.5	761	730	21
Carl Sargeant <i>Welsh Minister</i>	94,611	94,598	15-20	0-2.5	237	199	18
Leighton Andrews <i>Welsh Minister</i>	94,611	94,598	30-35	0-2.5	586	528	22
John Griffiths <i>Welsh Minister</i>	94,611	94,344	20-25	0-2.5	372	323	22
Huw Lewis ² <i>Welsh Minister</i>	94,611	92,855	20-25	0-2.5	384	338	20
Mark Drakeford <i>Welsh Minister (from 18 March 2013)</i>	3,561	-	0-5	0-2.5	50	48	1
Theodore Huckle <i>Counsel General</i>	95,801	81,122	0-5	0-2.5	55	24	20
Alun Davies ² <i>Deputy Welsh Minister (to 17 March 2013) then Welsh Minister from 18 March 2013)</i>	80,058	70,301	5-10	0-2.5	114	87	15
Jeff Cuthbert <i>Deputy Welsh Minister</i>	79,489	70,301	10-15	0-2.5	273	229	24
Gwenda Thomas ¹ <i>Deputy Welsh Minister</i>	78,263	78,255	15-20	0-2.5	287	272	12

1 Did not draw full Members Salary

2 Includes 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.

Officials	Salary 2012-13	Bonus payments ⁵ 2012-13	Salary 2011-12	Bonus payments ⁵ 2011-12	Accrued Pension at pension age as at 31/03/13 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/13	CETV at 31/03/12	Real increase in CETV
	£000	£000	£000	£000	£000	£000			
Derek Jones <i>Permanent Secretary (from 08/10/2012)</i>	75-80 (full year equivalent 160-165)	-	-	-	65-70 plus lump sum of 200-205	2.5-5 plus lump sum of 10-12.5	1,553	1,404	88
David Richards ² <i>Principal Accounting Officer (from 10/07/12 to 07/10/12)</i>	25-30 (full year equivalent 105-110)	-	-	-	40-45 plus lump sum of 125-130	0-2.5 plus lump sum of 2.5-5	915	888	23
Dame Gillian Morgan ¹ <i>Permanent Secretary (to 31/08/2012))</i>	65-70 (full year equivalent 160-165)	-	160-165	-	120-125	5-7.5	1,809	1,659	86
David Sissling ³ <i>Director General</i>	200-205	-	175-180 (195-200 full year equivalent)	-	35-40 plus lump sum of 110-115	2.5-5 Plus lump sum of 10-12.5	791	688	103
Bernard Galton <i>Director General</i>	130-135	5-10	130-135	5-10	60-65 plus lump sum of 180-185	0-2.5 plus lump sum of 0-2.5	1,264	1,195	1
Emyr Roberts <i>Director General (to 31 October 2012)</i>	75-80 (full year equivalent 130-135)	5-10	125-130	5-10	50-55 plus lump sum of 150-155	0-2.5 plus lump sum of 0-2.5	976	930	4
Owen Evans <i>Director General (from 5 December 2012)</i>	40-45 (full year equivalent 130-135)	-	-	-	5-10	0-2.5	69	69	-2
June Milligan <i>Director General</i>	125-130	5-10	130-135	-	50-55 plus lump sum of 150-155)	2.5-5 plus lump sum of 10- 12.5	939	830	60
James Price <i>Director General</i>	130-135	-	120-125	5-10	30-35	2.5-5	352	298	31
Michael Hearty ⁴ <i>Director General</i>	140-145	5-10	145-150	-	45-50 plus lump sum of 145-150	0-2.5 plus lump sum of 0-2.5	915	858	7
Gareth Jones <i>Director General</i>	120-125	-	5-10 (110-115 full year equivalent)	-	50-55 plus lump sum of 155-160	7.5-10 plus lump sum of 25-27.5	1,030	812	170
Elan Closs Stephens <i>Non-Executive Director</i>	10-15	-	10-15	-	-	-	-	-	-

Officials	Salary 2012-13	Bonus payments ⁵ 2012-13	Salary 2011-12	Bonus payments ⁵ 2011-12	Accrued Pension at pension age as at 31/03/13 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/13	CETV at 31/03/12	Real increase in CETV
James Turner <i>Non-Executive Director</i>	10-15	-	10-15	-	-	-	-	-	-
Sir Adrian Webb ⁶ <i>Non-Executive Director</i>	10-15	-	0-5	-	-	-	-	-	-
Band of Highest Paid Director's Total Remuneration (£'000)	200-205		195-200						
Median Total Remuneration (£)	31,800		31,837						
Ratio	6.3		6.2						

¹ Permanent Secretaries decided not to accept individual non-consolidated performance related pay awards (bonuses) in relation to the 2011-12 and the 2012-13 performance years.

² David Richards became Principal Accounting Officer on 10 July 2012 until Derek Jones became Permanent Secretary on 8 October 2012. His remuneration includes a responsibility allowance for the time that he was in this role (the full year equivalent figure is based on this higher figure). Dame Gillian Morgan was employed by the Welsh Government until 31 August 2012.

³ David Sissling is seconded from Abertawe Bro Morgannwg University LHB.

⁴ Michael Hearty's salary includes £14,063 (2011-12: £15,192) of taxable relocation allowances under the relocation policy.

⁵ Figures in this column relate to Senior Civil Service variable payments. These are contractual performance related variable pay.

⁶ Adrian Webb received separate payment of £25,500 in respect of the Wales Employment and Skills Board

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 Government with the exception of Ministers as noted above.

Senior Civil Servants within the Welsh 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, two Director General's and the three 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 2012-13 relate to performance in 2011-12.

Dame Gillian Morgan retired on voluntary exit terms on 31 August 2012 receiving a payment of £190-195,000.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer, and treated by HM Revenue and Customs as a taxable emolument, and is disclosed to the nearest £100. Benefits in kind assessed were nil.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in the Welsh Government in the financial year 2012-13 was £200,000-205,000 (2011-12: £195,000-200,000). This was 6.3 times (2011-12: 6.2) the median remuneration of the workforce, which was £31,800 (2011-12: £31,837). Based on the Permanent Secretary's banded remuneration the ratio is 5.0 (2011-12: 5.1). In 2012-13 and 2011-12 no employees received remuneration in excess of the highest paid director.

Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

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 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary related and range between 1.5% and 3.9% of pensionable earnings for Classic and 3.5% and 5.9% for Premium, Classic Plus and Nuvos. Increases to employee contributions will apply from 1 April 2013. 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' initial 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 updated 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

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 member's 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 member 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 in accordance with the Occupational Pension Schemes (Transfer Values)(Amendment) Regulations 2008 and do not take account of any actual or potential reduction to 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 that is 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.

Derek Jones
Permanent Secretary and Principal Accounting Officer
23 July 2013

STATEMENT OF ACCOUNTING OFFICERS' RESPONSIBILITIES

- 1 For the 2011-12 financial year and until 9 July 2012, Dame Gillian Morgan was the Principal Accounting Officer for the Welsh Government. The relevant responsibilities of the Principal Accounting Officer are set out within this Statement. From 10 July 2012 to 7 October 2012, David Richards, Director of Governance, took on the Principal Accounting Officer responsibilities for the Welsh Government. From 8 October 2012 Derek Jones was appointed Permanent Secretary and Principal Accounting Officer.
- 2 Under Section 131 of the Government of Wales Act 2006, the Welsh Ministers are required to prepare the consolidated resource account for the Welsh Government for the year ended 31 March 2013 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 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 Principal Accounting Officer (PAO) for the Welsh Ministers has responsibility for the overall organisation, management and staffing of the Welsh Government. This includes responsibility for Welsh Government-wide systems in finance and other matters, where these are appropriate, and for the management of the Welsh Government's net cash requirement. The PAO is also responsible for preparing and signing the Welsh Government's consolidated resource account.
- 4 In preparing the accounts the PAO is required to comply with the Financial Reporting Manual (FReM), and in particular to:
 - observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
 - make judgements and estimates on a reasonable basis;
 - state whether applicable accounting standards as set out in the FReM have been followed and disclose and explain any material departures in the accounts; and
 - prepare the accounts on a going concern basis.
- 5 Under Section 133(2) of the Government of Wales Act 2006 the PAO is able to designate other members of the Welsh 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 PAO's overall responsibility as PAO for the Welsh 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 Government's assets, and for taking reasonable steps to prevent and detect fraud and other irregularities, are set out in the Welsh Government Accounting Officers' Memorandum, issued by the Treasury.
- 8 The relationship between the PAO of the Welsh 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.

GOVERNANCE STATEMENT

Scope of Responsibility

I became Permanent Secretary and Principal Accounting Officer (PAO) on 8 October 2012 following the departure of Dame Gillian Morgan as PAO and the interim appointment of David Richards as PAO in the intervening period. As Principal Accounting Officer, I am responsible for ensuring that there is a high standard of probity in the management of public funds. In discharging this duty, I am responsible for maintaining a sound system of internal control that supports the achievement of the Welsh Government's policies, aims and objectives, facilitates the effective exercise of the functions of Welsh Ministers, and which includes effective arrangements for the management of risk.

In undertaking my responsibilities, I am supported by a number of Directors General (DGs) who I have designated as Additional Accounting Officers (AAOs). Their responsibilities are set out in a formal Memorandum which further strengthens corporate governance and accountability arrangements by placing with them personal responsibility for the propriety, regularity, affordability and achievement of value for money of the public finances for which they are answerable.

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 management of public finances and are required to sign a governance statement which is published in the body's annual accounts. Their relationship with the Welsh Government is defined in a framework document covering each sponsored body.

The landscape of public bodies in Wales has shown some major recent changes. Career Choices Dewis Gyrfa has become a wholly owned subsidiary of the Welsh Government with effect from April 2013. The Welsh Government, via its wholly owned subsidiary, has completed the purchase of Cardiff Airport in March. Finally, a new single body named Natural Resources Wales has been created from April by bringing together the functions of the Countryside Council for Wales, the Environment Agency Wales and Forestry Commission Wales.

Funding for Local Authorities

The Welsh Government provides most of the funding for local authorities in Wales, including unitary, police, national park and fire and rescue authorities. The largest component of grant funding is non-hypothecated, meaning that the funding can be used by the authorities for any purpose they choose in delivering the services for which they are responsible. This grant is the Revenue Support Grant.

The Welsh Government also provides funding to local government in the form of hypothecated grants. These grants can only be used for the specific purposes for which they are provided.

In addition to the funding which authorities receive from the Welsh Government, they receive some hypothecated grants from other government bodies. They also receive income from nationally set non-domestic (business) rates, which is pooled centrally and redistributed in line with working age population, and from locally set council tax.

Local authorities also receive grants from the Welsh Government for capital spending. In addition, they can determine how much they can afford to borrow based on a prudent assessment of their finances using professional codes of practice. The secondary legislation (made by Welsh Ministers) provides the broad framework for the 'prudential system' but the system places the emphasis on local authorities planning their needs for capital expenditure in a sensible and long term way based upon sound management of assets and finances.

The Revenue Support Grant is distributed on the basis of a formula which reflects the factors that drive local authorities need to spend to deliver the range of services they are responsible for delivering including education and social care.

Assurances around the probity in the use of these funds are through the maintenance of proper accounting and governance arrangements including the production of authorities' annual accounts in keeping with the statutory requirements set out in the Accounting and Audit Regulations and in line with proper accounting practices. There is then a full audit of these accounts by the authority's auditors appointed by the Wales Audit Office and they are scrutinised through the individual bodies' governance arrangements.

Specific grants will also fall under these arrangements, however they can, when sufficiently material, have in addition specific audit arrangements in place to provide the grant provider with specific assurances around the use of the specific funding in line with the terms and conditions set for the specific grant.

Each local authority has an appointed officer under section 151 of the Local Government Act 1972 who has statutory duties to ensure that there is proper administration of financial affairs. This includes ensuring that the authority has internal audit arrangements in place to provide internal assurances that processes are operating appropriately and delivering services. The council will also be held to account by the scrutiny functions within the council and they are also subject to annual improvement audits conducted by the Wales Audit Office covering value for money as well as governance and capacity.

Funding for Health Bodies

Discretionary and ring fenced revenue funding is provided to Local Health Boards (LHBs) to commission and provide Hospital and Community Health Services, and to meet the costs of drugs prescribed by GPs for their resident populations. In addition there are funding streams to cover the costs of payments to independent contractors (including GPs, General Dental Practitioners and Pharmacists). Additional targeted funding is also issued to support the achievement of Welsh Government objectives which is added to the core allocation.

Capital funding is provided to Local Health Boards to support the All Wales Capital Programme and other Welsh Government objectives on the basis of business cases submitted for approval. Discretionary capital funding is also provided to support locally identified priorities.

The Chief Executives of the LHBs and NHS Trusts are designated as Accountable Officers to ensure there is an effective system of internal control within their individual organisation. Each LHB and Trust has its own Board charged with steering, monitoring and overseeing performance, and ensuring good governance and risk management. To support the Chief Executives and the Boards each LHB and Trust has an Audit Committee and Internal Audit arrangements, in addition to the work of external auditors.

LHBs and Trusts are required to produce annual balanced financial plans setting out how they will operate within the funding made available to them to achieve effective service delivery, quality and safety standards and service change for the creation of sustainable high quality patient services.

Monthly detailed financial information is received from the LHBs and Trusts detailing expenditure to date, forecast outturn and identifying significant risks and issues. Progress against the Core Delivery performance targets is also reported either on a weekly or quarterly basis, depending on the type of indicator.

Regular meetings are held by the NHS Accounting Officer and his officials with LHB and Trust Directors of Finance, Chief Executives and Joint Executive Teams to consider all aspects of reported performance, and to provide a regular interface for the explanation by LHBs and Trusts of results achieved through the handling of emergent risks and current issues.

The Governance Framework

The governance framework comprises the systems, processes, culture and values by which the Welsh Government is directed and controlled and the activities through which it accounts to the National Assembly for Wales and engages with stakeholders. It enables the organisation to monitor the achievement of its policies, aims and objectives and whether value for money has been achieved.

The system of internal control is a significant part of the framework and 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 on-going process designed to identify and prioritise the risks to the achievement of the Welsh Government's policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and then to manage them efficiently, effectively and economically.

This framework has been developed to comply with good governance principles and we are planning to encompass these principles within our own Corporate Governance Code during the course of this year.

I chair the 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 three Non Executive Directors who bring a wide range of experience and external scrutiny to its work and for 2013-14 onwards the Director of Governance and Director of Legal Services are also members.

The Board meets monthly 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 me in my role as Principal Accounting Officer and overseeing major organisational improvement and investment programmes.

The Board regularly reviews its effectiveness and Board members have participated in a number of development sessions over the period to further the effectiveness of individuals and the Board collectively. Since taking up post I have been assessing the effectiveness of the Board and discussing with colleagues how best to focus any development over the coming year. I also meet regularly with Board members on a bilateral basis and with the Non Executive Directors collectively on a monthly basis. The First Minister attends Board meetings twice a year providing a further opportunity for challenge. During the period covered by these accounts and their signing, no Ministerial directions have been issued. Board membership details for the year are provided in the management commentary.

The Board has two sub-committees to deal with key aspects of organisational business. The Corporate Governance Sub-Committee advises me in my capacity as Accounting Officer and, in particular, my responsibilities for risk management, audit, internal controls and corporate governance. This sub-committee is chaired by a Non-Executive Director and attended by me.

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 me.

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

The Operations Group was set up to ensure the strategic decisions made by the Board are managed 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, where necessary, 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.

The Risk and Control Framework

The Board is responsible for overseeing the implementation of the risk management policy and process. The risk management policy is based on the Orange Book guidance for managing risk and has the key objective of ensuring that the Welsh Government has a consistent process in place for measuring, controlling, monitoring and reporting risk across the whole of the organisation. The Board aims to 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. 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.

Our approach to risk management is set out in our framework document, "Risk Essentials", which details the processes by which risks are identified and managed within the Welsh Government. We are planning to review this framework this year. This follows the review undertaken by the Board during the course of the year of the corporate risk register so that it aligns more closely to the strategic vision set out in the Programme for Government.

Under this framework, risks are identified, evaluated and managed at a number of different levels:

- The Board is responsible for managing corporate risks which may prevent or hinder the organisation from achieving its strategic objectives. The corporate risk register is reviewed on a quarterly basis by the Board taking into account the views of the Corporate Governance Committee.
- Each Director General/Director is responsible for managing their departmental risks which may prevent or hinder them from achieving their objectives and outcomes set out in their departmental plans. These are reviewed regularly by their senior management teams and by their own departmental Corporate Governance Committees and are underpinned by lower level risk registers.
- Risk registers are in place for major projects managed through approved programme and project management methodology eg Managing Successful Programmes (MSP) and Projects in Controlled Environments (PRINCE). Project risk is assessed using the Cabinet Office Gateway Risk Potential Assessment model and are reviewed on a regular basis by each project board.

Our awareness and management of risk is embedded in policymaking, planning and delivery. In particular, training modules have been developed on risk management for all staff and on project management for programme and project managers with our external training provider.

To review the control environment, I require Directors General/Directors within the Welsh Government to complete an internal control questionnaire and Statement of Assurance to provide me with an assessment of how effective their internal controls framework is operating within their department.

Developments to improve the Control Framework

As an organisation, we review our performance to ensure that we are in the strongest possible position to deliver the Programme for Government for the people of Wales. If we find that something could work better, or that there is something new to introduce, we undertake a 'project or programme'. Using established programme and project management (PPM) techniques throughout the process supports adherence to best practice guidelines, value for money and delivery of benefits.

Investments in organisational improvement are coordinated through a 'portfolio approach' to programme and project management. The portfolio team manages a range of programmes and projects, aiming for alignment with strategic goals, efficient and effective delivery and realisation of measurable benefits. It focuses on best practice in governance, risks, costs and benefits across projects and also provides support to projects in applying a consistent approach and best practice for delivery.

Overall governance is through the Operations Group and the Board for oversight. In addition each Project has a Senior Responsible Officer (SRO) and Project Board. The Portfolio provides an SRO network to support leaders in mitigating risks, share lessons and experiences. An overview of Portfolio resourcing, progress, risks and benefits is provided to the Operations Group on a monthly basis. In addition, Operations Group scrutinise the business cases for new projects seeking portfolio funding and regularly take detailed project progress reports from individual project SRO's.

A PPM Centre of Expertise has recently been established within the portfolio team to support other projects across the organisation in achieving excellence through best practice. Training has also been developed as part of our Programme

of Learning to improve our capability in PPM. In addition a PPM Community of Practice is in place which provides continuing learning and sharing of best practice.

The Grants Centre of Excellence team has continued its work on the development of an effective and sustainable framework for the future management of grants. Detailed guidance covering all stages of the funding process has been produced to help embed consistent and compliant practices across all grant funding schemes. A range of training courses is under development and some elements of training have been implemented. The guidance and training will help to provide an effective system, to manage grants appropriately and provide value for money from our investment in them.

Counter Fraud capability has developed further in the past year. The Head of Counter Fraud, in addition to advising and strengthening our policies and procedures in relation to fraud prevention, has been busy raising the profile and awareness of counter fraud; both internally and externally with our stakeholders and partners. He has completed several presentations and training sessions on specific areas of Counter Fraud. A number of local authorities in Wales continue to receive advice from our Head of Counter Fraud on suspected fraud involving Welsh Government funded schemes. The Head of Governance and Assurance is the Fraud Error and Debt Champion, and represents the Welsh Government at Cabinet Office meetings on fraud, error and debt.

We are also working closely with the four Welsh Police Forces on a number of fraud intelligence initiatives. The Head of Counter Fraud continues to link in with the Grants Management Project to develop and advise on our controls, governance and due diligence checks.

In the past year some of the fraud investigations pursued by Welsh Government have culminated in prosecution and judicial process. We have seen arrests and sentences of imprisonment and financial penalties, including methods of recovery either by way of "claw-back" or under the Proceeds of Crime Act, through compensation and confiscation orders. This should in itself be a significant deterrent to assist in preventing fraud whilst sending out a positive message that the Welsh Government has a "zero tolerance" to fraud. The counter fraud branch has a number of areas and initiatives to introduce in 2013-14 to ensure we continue to improve our counter fraud capability still further.

Other initiatives designed to develop and improve our governance framework include:

- the Welsh Government is currently discussing with the UK Government the case for financial reform. While agreement was reached in October 2012 on a new mechanism to address the problem of convergence in Welsh relative funding, further talks are now underway on the recommendations of the UK Government's Silk Commission, which reported in November 2012. The Commission proposed the devolution to Wales of some small taxes, income tax rate-varying powers and the ability to borrow. The UK Government is due to issue its response to the Silk Commission soon. While the financial reform process clearly offers significant potential benefits to the Welsh Government, any change to the current funding system is likely to create risks for the organisation. It is not possible to quantify those risks with confidence ahead of the announcement by the UK Government, and the intergovernmental talks on the details of the future arrangements that will then follow.
- our management of joint arrangements was raised as an area of concern by the Wales Audit Office. On the advice of the working group set up to respond to this issue, I have issued a Principal Accounting Officer note to Directors General providing guidance on establishing and managing joint arrangements and asking them to identify and review the joint arrangements in place within their Directorates. In order to have an accurate and up-to-date record of our joint arrangements I have approved a corporate database to capture this information. To this end, I hope to both improve our oversight of our joint arrangements and ensure that they are being managed robustly with appropriate governance arrangements in place and improve the quality and accuracy of the information that we provide in the Accounts.

Review of Effectiveness

As Principal Accounting Officer, I have responsibility for reviewing the effectiveness of the governance framework including 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 on the implications of my review of the effectiveness of the system of internal control by the Board and the Corporate Governance Committee and all of the key development improvements are outlined in this statement.

The Welsh Government has an Internal Audit Service, which operates to standards defined in the Public Sector 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 Committees on progress in implementing the plans. 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.

Internal Audit Service continues to co-ordinate its 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 underpins the approach taken and quarterly liaison meetings are held to share information and agree joint assignments.

The opinion of the Head of Internal Audit, set out in his annual assurance report, is that *overall the Welsh Government has a sound framework of control which provides substantial assurance regarding the effective and efficient achievement of its objectives*. He has provided a substantial assurance opinion for each of the Directors General.

As detailed in the Annual Control Report and Opinion 2012, the European Funds Audit Team (EFAT) submitted an Unqualified Opinion on the four Structural Funds Operational Programmes in December 2012. The work of EFAT was reviewed by the European Commission (EC) auditors in 2012 to obtain assurance on the effective functioning of the Wales Audit Authority. The Head of Corporate Governance and Assurance has received their draft report and the provisional conclusion on the Wales Audit Authority is Category 2 – *Works - but Some Improvements are Needed*. The report includes recommendations in relation to the Managing Authority of the Welsh European Funding Office and also the level of audit work required at beneficiary level for structural funds projects. EFAT and the Managing Authority have responded to the draft report to address the recommendations that were raised.

Based on its work over this reporting period, in the Chair's Annual Report for 2012-13, 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.

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 that, subject to the issues raised in the following paragraphs, 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.

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 departmental risk registers.

Last year we saw an increase in the number of reported information losses. These range from staff losing information whilst out and about to sensitive personal information being accidentally sent to the wrong recipient (both via email and hard copy). One of our losses had to be reported to the Information Commissioner's Officer. Consequently, additional information security awareness sessions have been provided targeting business areas that hold sensitive personal data.

Where third parties handle our information, it is vital that we tell them how to do so as we often retain legal liability for that information even if it is the third party that releases the information in error. The Departmental Security Unit has worked with Procurement colleagues to include a new section in tender documents about the controls that need to be in place in third party contracts.

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 2012-13, 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.

Information on significant lapses of protective security is provided in the management commentary section of these accounts.

Significant Internal Control Issues

In previous years my predecessors have reported on some specific internal control issues.

One related to a conflict of interest matter involving a member of staff with regard to the acquisition and disposal of a property in North Wales, within the then Department for the Economy and Transport. Issues associated with the property transaction, and the value for money obtained, have subsequently been investigated by the Public Accounts Committee who published their report in June. We will be responding to the recommendations shortly and will ensure improvements to governance arrangements for dealing with property transactions are implemented.

In relation to costs pressures in the NHS, the Local Health Boards (LHBs) were provided with an additional £92 million, in recognition of considerable increases in demand and the consequent growing cost pressures. This followed evidence highlighted as part of a detailed mid year review of the financial and non financial performance of the Welsh NHS. This funding was made available from existing resources within the Health Department's existing budget allocation.

To facilitate an element of financial flexibility between NHS organisations, formal arrangements for the use of brokerage funding between organisations were also introduced. Although facilitated by Welsh Government, brokerage funds were only made available on the basis that surplus funds could be identified in one NHS organisation which may be used to offset potential deficits in another. Managing the year-end finances in this way has enabled all Health Boards to achieve their statutory financial duties. We are working with the Boards to ensure that plans are in place to provide a safe and quality-driven service within available resources going forward.

In line with my predecessors report to you last year, improvements in the accountability and responsibility arrangements have been implemented as part of the Finance Regime. These include Director General led formal Mid Year Review of individual LHB and Trusts performance and projections, fourth quarter individual reviews, plus strengthening internal oversight of integrated performance through monthly Integrated Delivery Board and individual Quality and Delivery meetings.

Another issue previously reported concerns weaknesses in grant management arrangements across the organisation. The Public Accounts Committee has now completed its investigations on this subject and published two reports, the latest in June 2013. We will be responding to this in due course. The objective of the Grants Centre of Excellence is that suitable governance arrangements are put in place to deliver further improvements in grant management in the future.

Other internal control issues have been identified by my 2012-13 review. For example, a number of concerns have been identified within our heritage body, Cadw. Additional staffing resource and a governance improvement plan has been put in place to address these issues and progress is being made to introduce measures to strengthen the control framework.

Another issue relates to the Welsh Government student loans book. In Wales the model used to forecast future cash flows and asset value will no longer be supported in the future and we will need to adopt the model used by other administrations in the UK. We have been concerned over the reliability of the results produced by this model for the Welsh loans book. Initial testing of the model highlights the need for a one-off charge to revalue the underlying asset value this financial year. We will be seeking a provision from HM Treasury to cover this additional charge and work continues to ensure that the assumptions in the model and the impact on our budget are robustly checked.

A WAO report commissioned by Welsh Government has also identified weaknesses in our guidance to local authorities for the processing of student finance applications; and weaknesses in the processing of applications by the four local authorities examined. Since the report has been produced, the guidance to local authorities has been strengthened and will be strengthened further for 2013-14. In addition, we have agreed to work with the Welsh Local Government Association to improve processes and procedures in local authorities in line with the advice and guidance. The WAO have also been asked to complete further audits at other local authorities on a risk basis.

During the course of the year, the Wales Audit Office (WAO) announced that, following some concerns raised, it was undertaking a study into the disposal of land assets vested in the Regeneration Investment Fund for Wales (RIFW). The fund aims to stimulate significant investment in urban development. The study was subsequently broadened to include the aims, governance and operations of the fund. Following this we decided to pause the fund's activities. In order to minimise disruption to the fund's business, and with the approval of the WAO, we have commissioned two reviews into the disposal of the land assets and our oversight arrangements. In the light of the reports that we have received from these reviews our options for the future of RIFW are being assessed. A decision on the best vehicle to address the regeneration needs of Wales will be made in due course. We continue to liaise closely with the WAO as they progress their study.

Finally, a number of significant concerns have been raised about the governance arrangements in place at Betsi Cadwaladr University Health Board (BCUHB) and its management and clinical leadership structures. This followed work undertaken by the Wales Audit Office and Health Inspectorate Wales. Details of the issues and recommendations for action can be found in their joint report, which was published in June 2013 and laid before the National Assembly. We have put arrangements in place to provide support to the Health Board to ensure it addresses all the issues raised.

I am satisfied that risks are generally well managed and that our internal controls are continuing to improve and, where there are weaknesses, action is being taken to tackle them.

Derek Jones
Permanent Secretary and Principal Accounting Officer
23 July 2013

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 Government and the Group for the year ended 31 March 2013 under the Government of Wales Act 2006. These comprise the Summary of Resource Outturn, Consolidated Statement of Comprehensive Net Expenditure, Consolidated Statement of Financial Position, Consolidated Statement of Cash Flows, Consolidated 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 Accounting Officer's Responsibilities, the Principal Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report and the financial statements, in accordance with the Government of Wales Act 2006 and HM Treasury's 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 Government and the Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Welsh 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 the Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of the Welsh Government and the Group's affairs as at 31 March 2013 and of its net cash requirement, net resource outturn and net operating cost, 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 directions made under the Government of Wales Act 2006; and
- the information which comprises the 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 Annual Governance Statement 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
24 July 2013

Welsh Government
Summary of Resource Outturn
For the year ended 31 March 2013

	Budget 2012-13	Outturn 2012-13	Outturn compared with Budget	Outturn 2011-12
	£000	£000	£000	£000
PROGRAMME RESOURCES				
	Net expenditure	Net expenditure	Variance	Net expenditure
Health, Social Services and Children	5,378,924	5,366,026	12,898	5,354,398
Local Government and Communities	4,163,842	4,134,106	29,736	4,192,682
Environment and Sustainable Development	329,989	329,946	43	322,891
Business, Enterprise, Technology & Science	*348,260	342,605	5,655	324,399
Education & Skills	2,050,456	2,031,361	19,095	1,930,330
Housing, Regeneration and Heritage	513,115	508,332	4,783	518,795
Central Services and Administration	328,732	316,790	11,942	356,113
<i>excess income surrender to WCF</i>	-	30,923	(30,923)	-
Total Resource and Capital requirements	13,113,318	13,060,089	53,229	12,999,608

Welsh Government
Net Cash Requirement 2012-13

	2012-13	2011-12
	£000	£000
Authorised for issue from Welsh Consolidated Fund	12,694,152	12,743,795
Supplementary Budget*	50,000	-
Funding drawn down	(12,694,152)	(12,702,691)
Undrawn funding	50,000	41,104

* The Supplementary Budget for 2012-13 was amended via Section 128 of GOWA 2006 to allocate £50 million from existing reserves to the Business, Enterprise, Technology and Science ambit.

The Notes on pages 37 to 84 form part of these accounts.

**Consolidated Statement of Comprehensive Net Expenditure
For the year ended 31 March 2013**

		Year ended 31 March 2013		Restated Year ended 31 March 2012	
		WG £000	Consolidated £000	WG £000	Consolidated £000
PROGRAMME COSTS	Note				
Expenditure	6	13,929,258	14,268,665	13,725,766	14,023,528
Income					
Non EU Income	8	(1,110,760)	(1,351,106)	(1,028,858)	(1,272,838)
EU Income	8	(571,211)	(578,842)	(500,217)	(504,986)
		(1,681,971)	(1,929,948)	(1,529,075)	(1,777,824)
Net Programme Costs		12,247,287	12,338,717	12,196,691	12,245,704
ADMINISTRATION COSTS	Note				
Staff Costs	4	189,322	195,953	201,719	208,043
Other Administration Costs	5	84,335	92,544	98,370	105,826
Gross Administration Costs		273,657	288,497	300,089	313,869
Administration Income	8	(1,083)	(1,083)	(1,165)	(1,170)
Net Administration Cost		272,574	287,414	298,924	312,699
NET OPERATING COST		12,519,861	12,626,131	12,495,615	12,558,403
OTHER COMPREHENSIVE EXPENDITURE					
Net gain on revaluation of Property, Plant and Equipment		(136,636)	(5,771)	(443,070)	(511,179)
Net gain on Available-for-sale investments taken to equity		-	(491)	-	(1,924)
Actuarial loss on pension		5,420	4,859	18,640	19,750
Total Comprehensive Net Expenditure		12,388,645	12,624,728	12,071,185	12,065,050

The Notes on pages 37 to 84 form part of these accounts.

Consolidated Statement of Financial Position as at 31 March 2013

		As at 31 March 2013 WG	As at 31 March 2013 Consolidated	As at 31 March 2012 WG	Restated As at 31 March 2012 Consolidated
	Note	£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	9	13,753,144	16,237,469	13,648,016	16,382,694
Intangible Assets	10	9,603	14,294	11,116	16,119
Financial assets	11	2,329,688	2,172,788	2,068,828	1,928,195
Trade and other receivables	15	-	41,799	-	43,141
Total non current assets		16,092,435	18,466,350	15,727,960	18,370,149
Current Assets:					
Assets classified as held for sale	9.1	-	5,817	-	8,282
Development Asset Inventories	13	151,384	151,494	147,603	152,213
Inventories	14	32,649	90,089	37,662	90,784
Trade and other receivables	15	198,705	305,902	163,406	270,489
Other Financial assets	11	-	27	-	74
Cash & cash equivalents	16	81,108	273,518	147,655	348,556
Total current assets		463,846	826,847	496,326	870,398
Total assets		16,556,281	19,293,197	16,224,286	19,240,547
Current liabilities:					
Trade and other payables	17	(857,234)	(1,422,092)	(831,495)	(1,412,198)
Other liabilities	19	-	(5,930)	-	(13,645)
Total current liabilities		(857,234)	(1,428,022)	(831,495)	(1,425,843)
Non-current assets plus/less net current assets/liabilities		15,699,047	17,865,175	15,392,791	17,814,704
Non-current liabilities					
Provisions	18	(535,120)	(613,387)	(459,117)	(540,363)
Other payables	17	(150,577)	(230,536)	(158,633)	(241,833)
Pension fund deficits	33b	(92,570)	(94,620)	(88,210)	(91,010)
National Loans Fund	26	(11,613)	(11,613)	(11,665)	(11,665)
Other liabilities	19	-	(54,686)	-	(65,278)
Total non current liabilities		(789,880)	(1,004,842)	(717,625)	(950,149)
Total Assets less liabilities		14,909,167	16,860,333	14,675,166	16,864,555
Taxpayers' Equity & other Reserves					
General Fund		8,906,269	10,549,870	8,792,384	10,539,120
Revaluation Reserve		6,083,587	6,393,202	5,957,948	6,403,401
EU Deferred Grant Reserve		11,881	11,881	13,044	13,044
Pension Fund Reserve		(92,570)	(94,620)	(88,210)	(91,010)
Total equity		14,909,167	16,860,333	14,675,166	16,864,555

Derek Jones
Permanent Secretary and Principal Accounting Officer
Date: 23 July 2013

The Notes on pages 37 to 84 form part of these account

Consolidated Statement of Cash Flows for the year ended 31 March 2013

	Note	Year ended 31 March 2013		Restated Year ended 31 March 2012	
		WG	Consolidated	WG	Consolidated
		£000	£000	£000	£000
Cash flows from operating activities					
Net operating cost		(12,519,861)	(12,626,131)	(12,495,615)	(12,558,403)
Non – cash transactions:					
Administrative costs	5	17,349	17,794	14,754	14,110
Programme costs	6	299,736	697,689	186,793	581,729
Income payable to Welsh Consolidated Fund		(31,066)	(31,066)	(12,549)	(12,549)
Movements in working capital other than cash	12	(63,675)	(91,726)	171,814	167,710
Other adjustments via General Fund		44	44	-	-
Opening debtor/creditor adjustments		-	(2)	-	-
Provisions utilised	18	(68,972)	(146,504)	(62,462)	(131,580)
Net cash outflow from operating activities		(12,366,445)	(12,179,902)	(12,197,265)	(11,938,983)
Cash flows from investing activities					
Purchase of property, plant and equipment		(88,457)	(286,851)	(78,393)	(356,660)
Purchase of intangible assets		(2,361)	(3,861)	(4,570)	(5,734)
Proceeds of disposal of property, plant and equipment		2,121	11,860	3,465	8,670
Proceeds of disposal of development assets		9,304	13,804	5,369	18,399
Proceeds of disposal of financial assets		-	1,539	-	498
Proceeds of disposal of intangible assets		-	184	-	-
Purchase of development assets		(19,479)	(19,479)	(5,760)	(5,760)
Issue of loans and investments		(384,905)	(380,307)	(372,039)	(288,963)
Movement in bank loan		-	(15,700)	-	(12,905)
Repayment of loans		79,339	79,339	48,808	48,808
Net cash outflow from investing activities		(404,438)	(599,472)	(403,120)	(593,647)
Cash flows from financing activities					
From Welsh Consolidated Fund (Supply) – current year		12,694,152	12,694,152	12,702,691	12,702,691
Capital element of payments for finance leases and on balance sheet PFI contracts		(7,796)	(7,796)	(7,547)	(7,547)
Net Cash Outflow/Inflow from Financing activities		12,686,356	12,686,356	12,695,144	12,695,144
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Welsh Consolidated Fund		(84,527)	(93,018)	94,759	162,514
Non operating receipts due to be surrendered to Welsh Consolidated Fund		17,980	17,980	(7,688)	(7,688)
Net increase/(decrease) in cash and cash equivalent in the period after adjustment for receipts and payments to the Welsh Consolidated Fund	16	(66,547)	(75,038)	87,071	154,826
Cash and cash equivalents at the beginning of the period	16	147,655	348,556	60,584	193,730
Cash and cash equivalents at the end of the period	16	81,108	273,518	147,655	348,556

The Notes on pages 37 to 84 form part of these accounts

Consolidated Statement of changes on Taxpayers' Equity for the year ended 31 March 2012

Consolidated	General Fund	European Deferred Grant Reserve	Revaluation Reserve	Pension Fund Reserve	Total Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2011	10,448,677	14,207	5,898,383	(78,213)	16,283,054
Welsh Consolidated fund – drawn down	12,702,691	-	-	-	12,702,691
Welsh Consolidated Fund - deemed	(12,356)	-	-	-	(12,356)
Net operating cost for the year	(12,558,403)	-	-	-	(12,558,403)
Non-cash adjustments					
Net gain/(loss) on revaluation of property, plant and equipment	-	-	511,179	-	511,179
Net gain/(loss) on revaluation of investments	1,924	-	-	-	1,924
Debtor/creditor adjustments	1	-	-	-	1
Impairment	463	-	-	-	463
Actuarial gain/(loss) on pension scheme	(1,110)	-	-	-	(1,110)
Student Loans non cash element	(14,519)	-	-	-	(14,519)
Consolidated Fund Extra Receipts	(86)	-	-	-	(86)
Loan repayments to Consolidated Fund	(108)	-	-	-	(108)
Movements in reserves					
Release of reserves to statement of Comprehensive Expenditure	-	(1,163)	-	-	(1,163)
Transfers of assets	(28,372)	-	-	-	(28,372)
Transfers between reserves	6,161	-	(6,161)	-	-
In year pension movement	(5,843)	-	-	(12,797)	(18,640)
Balance at 31 March 2012	10,539,120	13,044	6,403,401	(91,010)	16,864,555

The Notes on pages 37 to 84 form part of these accounts

Consolidated Statement of changes in Taxpayers' Equity continued

Consolidated	General Fund	European Deferred Grant Reserve	Revaluation Reserve	Pension Fund Reserve	Total Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2012	10,539,120	13,044	6,403,401	(91,010)	16,864,555
Welsh Consolidated fund – drawn down	12,694,152	-	-	-	12,694,152
Welsh Consolidated Fund - deemed	(30,931)	-	-	-	(30,931)
Net operating cost for the year	(12,626,131)	-	-	-	(12,626,131)
Non-cash adjustments					
Net gain/(loss) on revaluation of property, plant and equipment	-	-	5,616	-	5,616
Net gain/(loss) on revaluation of investments	491	-	-	-	491
Net gain/(loss) on assets held for sale	-	-	155	-	155
Debtor/creditor adjustments	2	-	-	-	2
Impairment	(2,139)	-	-	-	(2,139)
Other adjustments to General Fund	44	-	-	-	44
Actuarial gain/(loss) on pension scheme	561	-	-	-	561
Student Loans non cash element	(21,687)	-	-	-	(21,687)
Consolidated Fund Extra Receipts	(29)	-	-	-	(29)
Loan repayments to Consolidated Fund	(106)	-	-	-	(106)
Movements in reserves					
Release of reserves to statement of Comprehensive Expenditure	-	(1,163)	-	-	(1,163)
Transfers of assets	(17,637)	-	-	-	(17,637)
Transfers between reserves	15,970	-	(15,970)	-	-
In year pension movement	(1,810)	-	-	(3,610)	(5,420)
Balance at 31 March 2013	10,549,870	11,881	6,393,202	(94,620)	16,860,333

The Notes on pages 37 to 84 form part of these accounts.

Consolidated Statement of changes in Taxpayers' Equity continued

WG only	General Fund	European Deferred Grant Reserve	Revaluation Reserve	Pension Fund Reserve	Total Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2011	8,638,457	14,207	5,523,840	(76,240)	14,100,264
Welsh Consolidated fund – drawn down	12,702,691	-	-	-	12,702,691
Welsh Consolidated fund – to surrender	(12,356)	-	-	-	(12,356)
Net operating cost for the year	(12,495,615)	-	-	-	(12,495,615)
Non-cash adjustments					
Net gain/(loss) on revaluation of property, plant and equipment	-	-	443,070	-	443,070
Student Loans non cash element	(14,519)	-	-	-	(14,519)
Consolidated Fund Extra Receipts	(86)	-	-	-	(86)
Loan repayments payable to Consolidated Fund	(108)	-	-	-	(108)
Movements in Reserves					
Release of reserves to Statement of Comprehensive Expenditure	-	(1,163)	-	-	(1,163)
Transfers of assets	(28,372)	-	-	-	(28,372)
Transfers between Reserves	8,962	-	(8,962)	-	-
In year pension movement	(6,670)	-	-	(11,970)	(18,640)
Balance at 31 March 2012	8,792,384	13,044	5,957,948	(88,210)	14,675,166

The Notes on pages 37 to 84 form part of these accounts.

Consolidated Statement of changes in Taxpayers' Equity continued

WG only	General Fund	European Deferred Grant Reserve	Revaluation Reserve	Pension Fund Reserve	Total Reserves
	£000	£000	£000	£000	£000
Balance at 31 March 2012	8,792,384	13,044	5,957,948	(88,210)	14,675,166
Welsh Consolidated fund – drawn down	12,694,152	-	-	-	12,694,152
Welsh Consolidated fund – to surrender	(30,931)	-	-	-	(30,931)
Net operating cost for the year	(12,519,861)	-	-	-	(12,519,861)
Non-cash adjustments					
Net gain/(loss) on revaluation of property, plant and equipment	-	-	136,636	-	136,636
Student Loans non cash element	(21,687)	-	-	-	(21,687)
Consolidated Fund Extra Receipts	(29)	-	-	-	(29)
Dr/Cr adjustment	3	-	-	-	3
Other adjustments	44	-	-	-	44
Loan repayments payable to Consolidated Fund	(106)	-	-	-	(106)
Movements in Reserves					
Release of reserves to Statement of Comprehensive Expenditure	-	(1,163)	-	-	(1,163)
Transfers of assets	(17,637)	-	-	-	(17,637)
Transfers between Reserves	10,997	-	(10,997)	-	-
In year pension movement	(1,060)	-	-	(4,360)	(5,420)
Balance at 31 March 2013	8,906,269	11,881	6,083,587	(92,570)	14,909,167

The Notes on pages 37 to 84 form part of these accounts.

Notes to the Welsh 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 Government for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Welsh 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 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.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of investment property, property, plant and equipment, and certain financial assets and liabilities.

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 Government owned company limited by guarantee), Finance Wales PLC, Welsh Development Management 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 Government has a two-third share) is not consolidated within these financial statements. Hybu Cig Cymru – Meat Promotion Wales (a company limited by guarantee in which the Welsh Government is the sole member) and International Business Wales Ltd have 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 Government and its related bodies capitalise freehold property where it is retained for use by the organisation itself. The Welsh 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 2012-13 were taken from the Investment Property Databank (IPD) UK Annual Index (2013).

Network Assets

The road network is valued at its depreciated replacement cost in terms of the guidance in the Financial Reporting Manual for specialist assets for which market valuations are not available. To produce this valuation requires the use of assumptions, estimates and professional judgement. The model used to produce the valuation is known as the Roads Authorities' Asset Valuation Systems (RAAVS), run by external consultants W.S. Atkins. It uses a series of standard costs to value the individual components of the network assets and indices to revalue these on an annual basis.

The trunk road network is recognised as a single infrastructure asset in accordance with the applicable guidance outlined in the FReM. However, it comprises four distinct elements that are accounted for differently: land; the road pavement; structures (such as bridges and culverts); and communications (such as variable message signs).

The road pavement element is valued using agreed rates determined to identify the gross replacement cost of applicable types of road on the basis of new construction on a greenfield site. These rates are re-valued annually using indices to reflect current prices.

Structures are valued using agreed rates determined to identify the replacement cost of applicable types of structure on the basis of new construction on a greenfield site where these are available but special structures, which tend to be one off by their nature, are valued using specific costs that are updated to current prices.

Communications are valued using agreed rates determined to identify the replacement cost of applicable types of communications.

Subsequent expenditure is capitalised where it adds to the service. Expenditure that does not replace or enhance service potential will be expensed as a charge to the Statement of Comprehensive Net Expenditure.

New roads are reclassified from Assets under Construction when the structural details have been provided by the Agent authority, which may be some time after the road has opened.

Transfers of the responsibility for maintaining sections of the road as part of the trunk road network from or to the local authority network are referred to as 'trunkings' or 'detrunkings' respectively. The trunking or detrunking of roads from or to local authorities is treated as a transfer from or to other government departments. Roads and structures detrunked are effectively dealt with as disposals in accounting terms at nil consideration. The associated profit or loss is processed through the general fund.

Depreciation is accounted for in respect of the road pavement by reference to the service potential assessed by condition surveys that are carried out over the whole network as part of a rolling programme that covers every section of road at least every five years. The Structures and Communications elements are depreciated using the straight line method applied to the re-valued replacement costs, and also inspected every five years to identify any other changes. Land is not depreciated.

The indexation factors applied are:

Road Pavement and Structures	Baxter Index, published quarterly by the Department for Business, Innovation and Skills
Communications	Baxter Index, published quarterly by the Department for Business, Innovation and Skills
Land	Land indices produced by Valuation Office Agency

Upwards movements in value are taken to the revaluation reserve. Downward movements in value are set off against any credit balance held in the revaluation reserve until the credit is exhausted and thereafter expensed in the Statement of Comprehensive Net Expenditure.

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

Plant and equipment, information technology, fixtures and fittings, and vehicles are at historical cost. As these asset classes have a short useful economic life, reliable revaluations of these assets could only be obtained at prohibitive cost. No significant estimation techniques are used in the valuation of these asset classes.

Heritage Assets

The Welsh 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 Government therefore does not capitalise these assets in the accounts. Further information on the non-operational heritage assets owned by the Welsh 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 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 10 years
Intangible software assets	3 to 5 years
Plant & equipment	3 to 20 years
Fixtures & fittings	5 to 10 years
Motor vehicles	3 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

Following the accounting policy change outlined in the FRM for 2011-12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to income. They are valued, depreciated and impaired as described for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is only recognised where conditions attached to the donation preclude immediate recognition of the gain.

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 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 to represent fair value.

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.

The Welsh Government's accounting policy is to recognise an addition to the student loan book once the Student Loans Company (SLC) has issued the loan to the student. Student loan repayments are collected by the SLC and Her Majesty's Revenue and Customs (HMRC). For repayments made via the SLC, the Department recognises the repayment when the SLC has received the cash and updated the borrower record. For repayments collected via the tax system, the Department recognises the amounts which HMRC estimate as being due to the Department for the financial year. 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, comprising land held for future development and built properties not required for own use, which are held with the ultimate intention for resale, 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 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 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. The funds are paid to the Welsh European Funding Office (which is part of the Department for Business, Enterprise, Technology and Science). These funds are then transferred to the relevant department within the Welsh Government and are accounted for within Note 6.

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 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 Government.

1.15 **Value Added Tax (VAT)**

The Welsh Government recovers some elements of VAT for business services and contracted out services. For other goods and services expenditure these are recorded inclusive of VAT

1.16 **Pensions**

The majority of present and past employees of the Welsh Government are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which are described in Note 33a. The defined benefit elements of the scheme are unfunded. The Welsh 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 Government recognises the contributions payable for the year. All actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised through reserves in the period in which they arise.

Some former Welsh Development Agency staff and current Finance Wales PLC staff participate in the Local Government Pension Scheme administered by Rhondda Cynon Taf County Borough Council, which is a multi-employer funded scheme. Further information regarding this 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.

Some 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.

Some former CAF/CASS staff participate in the West Yorkshire Pension Scheme administered by the City of Bradford Metropolitan District Council.

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). The employer contribution rate for 2012-13 was 14% (2011-12: 14%). These costs are included in Note 6 – Programme costs.

1.17 Early departure costs

The Welsh Government is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Welsh Government provides in full for this cost when the early retirement programme has been announced and is binding. The Welsh 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 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 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 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 2013, 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 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 Business, Enterprise, Technology & Science, 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 which is not in line with IAS 21.

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

The Welsh 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 Welsh Risk Pool (WRP) was established to assist all Welsh NHS organisations with risk management and settlement of disputed claims for alleged medical or employer negligence. Welsh Government underwrites the claims over £25,000 reimbursed by the WRP. The liability for the Welsh Risk Pool within the Department for Health, Social Services & Children 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 as at the balance sheet date.

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 Government (and between the Welsh Government and the Welsh Consolidated Fund), the Welsh 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

The 2011-12 consolidated figures as at 31 March 2012 have been restated for the Regeneration Fund for Wales accounts which were unaudited last year, and a prior year adjustment for Ryder Cup 2010. The net effect is shown below:

	£000
Comprehensive Net Expenditure for the year ended 31 March 2012 as previously reported	12,065,168
Prior period adjustment	(118)
Restated Comprehensive Net expenditure for the year ended 31 March 2012	12,065,050
	£000
General fund balance as at 31 March 2012 as previously reported	10,539,102
Prior period adjustment	18
Restated General fund balance as at 31 March 2012	10,539,120

3a. Reconciliation of outturn to net operating cost

	Outturn 2012-13	Outturn 2011-12
	£000	£000
Net resource outturn	13,060,089	12,999,608
Excess income surrender to WCF	(30,923)	-
less Capital, Loans & adjustments	(509,305)	(503,993)
Net operating cost	12,519,861	12,495,615

3b. Reconciliation of resources to cash requirement

	Budget 2012-13	Outturn 2012-13	Outturn compared with Budget	Outturn 2011-12
	£000	£000	£000	£000
Net resource outturn	13,113,318	13,060,089	53,229	12,999,608
Excess income surrender to WCF	-	(30,923)	30,923	-
Depreciation	(136,469)	(149,393)	12,924	(139,172)
Impairments	(73,831)	(36,474)	(37,357)	(58,129)
Student loans	(65,393)	(51,036)	(14,357)	(12,637)
Movements in provisions	(93,202)	(76,003)	(17,199)	(15,492)
Movements in working capital	(271)	33,133	(33,404)	(187,594)
Addition of amounts not part of resource outturn	-	14,249	(14,249)	15,913
Other	-	(2,943)	2,943	13,123
Net cash requirement	12,744,152	12,760,699	(16,547)	12,615,620

4. Staff Numbers and Costs

The average number of full-time equivalent persons employed (including senior management and special advisers) during the period was 71,322 (2011-12: 72,235).

The breakdown of this figure is as follows:

	Special Advisers	Permanently employed staff	Other staff	Total 2012-13	Total 2011-12
Total	6	70,386	994	71,386	72,235
Of which:					
Welsh Government	6	4,849	461	5,316	5,211
Local Health Boards	-	65,431	533	65,964	66,925
Subsidiaries	-	106	-	106	99

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):

Administration Staff costs

	Permanently employed staff	Special Advisers	*Other Staff	Year ended 31 March 2013 Total	Year ended 31 March 2012 Total
	£000	£000	£000	£000	£000
Salaries	183,361	336	13,300	196,997	197,754
Social Security Costs	16,627	32	507	17,166	16,705
Other Pension Costs	34,778	70	813	35,661	35,522
Pension liabilities	3,588	-	-	3,588	16,515
Total	238,354	438	14,620	253,412	266,496
Less:					
Recoveries in Respect of Outward Secondments	(1,401)	-	-	(1,401)	(1,415)
Recharged to programme costs	(56,058)	-	-	(56,058)	(57,038)
Net administration staff costs	180,895	438	14,620	195,953	208,043
Of which: Core department	180,895	438	7,989	189,322	201,719

*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; flexible early retirement or approved early retirement; or flexible early severance in 2012-13 or 2011-12.

For 2012-13 16 (2011-12:333) have left or agreed to leave on Voluntary Exit terms between 31 March 2012 and 31 March 2013. They will receive compensation payments totalling £1,072,392 (2011-12: £18,260,589).

Exit package cost band	Total number of exit packages by cost band	Total number of exit packages by cost band
	2012-13	2011-12
<£10,000	1	6
£10,000 - £25,000	2	32
£25,000 - £50,000	3	124
£50,000 - £100,000	6	151
£100,000 - £150,000	3	19
£150,000 - £200,000	1	1
£200,000+	-	-
Total number of exit packages by type	16	333
Total resource cost £	1,072,392	18,260,569

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 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.

5. Other Administration Costs

	Year ended 31 March 2013		Restated Year ended 31 March 2012	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Goods and Services	13,090	19,266	13,534	20,064
IT & Telecommunications	27,580	27,974	25,974	26,372
Accommodation	15,083	15,889	15,032	15,825
Early retirement costs	1,221	1,221	18,442	18,442
Rentals under operating leases				
- accommodation	4,342	4,342	5,436	5,436
- hire of vehicles and office equipment	167	167	359	359
Travel, subsistence and hospitality	4,512	4,774	3,785	4,049
Audit Fees	432	558	432	547
Relocation costs*	658	658	578	578
Loss/(Gain) on exchange rate	(99)	(99)	44	44
	66,986	74,750	83,616	91,716
Non Cash Items:				
Depreciation	8,045	8,102	9,562	9,610
Amortisation	3,268	3,268	2,844	2,844
Impairment of property, plant and equipment	7,176	7,176	9,136	9,136
(Gain)/loss on disposal of property, plant and equipment	(92)	943	(4)	(1,503)
Impairment on Finance Wales other	-	-	-	1,090
(Gain)/loss from fair value of investments	12	(445)	28	28
Provision for early retirement and pension costs	-	-	(142)	(142)
Pension finance*	(1,060)	(1,250)	(6,670)	(6,953)
	17,349	17,794	14,754	14,110
Total Other Administration Costs	84,335	92,544	98,370	105,826

* these costs are subject to UK taxation

6. Programme Costs

	Year ended 31 March 2013		Restated Year ended 31 March 2012	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Programme expenditure:				
Grants/funding to public bodies	11,087,059	5,397,521	11,127,189	5,353,163
Grants/funding to private sector	1,583,399	1,583,399	1,418,041	1,418,041
Grant in aid to WGSB's	529,874	529,874	562,742	562,742
Programme delivery costs (a)	202,287	202,290	201,119	193,163
Staff costs	56,058	2,807,297	57,033	2,804,911
IT & Telecommunications	51,368	51,368	43,302	43,302
Goods and services	47,953	2,895,220	46,260	2,950,226
Research & statistics	17,739	18,204	31,422	31,976
Marketing, events & sponsorship	31,823	32,098	30,844	31,002
Travel costs	2,994	14,576	2,787	14,187
Rentals under operating leases	5,917	26,078	6,430	27,282
PFI and other service concession arrangements service charges (b)	13,051	13,051	11,804	11,804
	13,629,522	13,570,976	13,538,973	13,441,799
Non-cash costs:				
Depreciation	68,826	191,324	49,680	184,491
Amortisation	616	2,357	-	1,640
Government granted assets	-	(107)	-	(329)
Donated assets	-	(6,810)	-	(2,833)
Impairment of property, plant and equipment	15,276	206,630	41,333	229,292
Impairment of development assets	11,494	11,494	7,469	7,469
Impairment of investments	2,514	2,514	1,028	1,028
Profit on disposal of development assets	(1,300)	(1,300)	(1,160)	(1,160)
(Profit)/loss on disposal of property, plant and equipment	5	(33)	(261)	(302)
Loss on disposal of stock	7,457	7,457	-	-
Surplus on revaluation of JV's	-	-	(865)	(865)
Investment diminution Finance Wales	-	13,372	-	13,617
Student loans non cash charges	51,036	51,036	12,636	12,636
Increase/ (Decrease) in Provisions	144,975	221,231	78,096	138,500
Release of PFI deferred credits	-	(313)	-	(292)
Release of EU Grant	(1,163)	(1,163)	(1,163)	(1,163)
	299,736	697,689	186,793	581,729
	13,929,258	14,268,665	13,725,766	14,023,528

a. Includes £68,638,000 (2011-12: £77,086,000) classed as capital maintenance depreciation

b. Welsh government figures only

7. Audit fees payable to the Auditor General for Wales

The amount payable to the Auditor General for placing an opinion on the consolidated financial statements of the Welsh Government for 2012-13 is £431,700 (2011-12: £431,700) and has been included in the audit fees disclosed at Note 5.

Also included within the consolidated financial statements are fees levied by the Auditor General for Wales in respect of other accounts prepared by Welsh Ministers.

Account	2012-13	2011-12
	£	£
NHS Trust Summarised Account	7,250	7,250
NHS Local Health Board Summarised Account	32,500	32,500
National Non Domestic Rate Account	9,700	10,300
Whole of Government Account	40,000	40,000
Welsh Consolidated Fund	16,550	16,750

An additional £30,000 was levied for commissioned work on Student Loans and Education Maintenance Allowance in 2011-12.

8. Income

	Year ended 31 March 2013		Restated Year ended 31 March 2012	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Programme Income				
Non-EU Income:				
National Insurance health funding contribution	941,907	941,907	878,323	878,323
Housing Revenue Account	72,317	72,317	74,005	74,005
Student loans interest receivable	30,542	30,542	23,015	23,015
Health income	26,582	257,417	21,147	242,724
Property & investment income	24,665	30,712	21,474	37,656
Income from monuments	4,130	4,130	4,460	4,460
Higher Education Research Capital Fund	2,557	2,557	2,113	2,113
Interest receivable	-	2,319	-	1,319
Other programme income	8,031	9,176	4,236	9,138
	1,110,731	1,351,077	1,028,773	1,272,753
Income outside the supply process				
Consolidated Fund Extra Receipts	29	29	85	85
	1,110,760	1,351,106	1,028,858	1,272,838
EU Income:				
Common Agricultural Policy	294,699	294,699	306,297	306,297
European Structural Funds Programmes	271,191	278,822	192,850	197,619
Other	5,321	5,321	1,070	1,070
	571,211	578,842	500,217	504,986
	1,681,971	1,929,948	1,529,075	1,777,824
Administration Income				
External rents	403	403	327	327
Income from other government departments	40	40	285	285
Fees & charges	640	640	553	558
	1,083	1,083	1,165	1,170
	1,683,054	1,931,031	1,530,240	1,778,994

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
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2012	15,490,620	401,849	2,347,091	57,762	8,355	153,033	490,218	40,673	365,082	19,354,683
Additions	309	638	31,729	152	107	17,510	23,746	10,736	201,154	286,081
Additions – donated	-	-	3,480	-	-	147	2,410	40	712	6,789
Additions - government granted	-	-	-	-	-	30	77	-	-	107
Transfers	(26,409)	-	-	-	-	-	-	-	5,024	(21,385)
Disposals/write-offs	-	(583)	(4,087)	-	(1,062)	(8,905)	(27,144)	(1,112)	-	(42,893)
Impairments	(10,484)	(10,482)	(135,192)	(623)	-	(4)	(146)	(6,276)	(9,079)	(172,286)
Revaluation/Indexation	157,795	(1,641)	(490,798)	(8,156)	-	-	(248)	-	(47)	(343,095)
Reclassified to held for sale	-	(2,986)	(2,965)	(623)	-	(203)	-	-	-	(6,777)
Reclassifications	65,262	(1,100)	178,935	85	146	501	563	(26)	(248,259)	(3,893)
At 31 March 2013	15,677,093	385,695	1,928,193	48,597	7,546	162,109	489,476	44,035	314,587	19,057,331
Depreciation										
At 1 April 2012	2,172,246	-	352,697	5,562	5,806	98,900	318,354	16,536	1,888	2,971,989
Charged in year	134,623	-	67,154	1,685	768	17,692	42,069	4,073	-	268,064
Disposals	-	-	(1,735)	-	(1,006)	(8,740)	(27,015)	(846)	-	(39,342)
Transfers	(3,748)	-	-	-	-	-	-	-	-	(3,748)
Impairments	3,704	-	37,942	(511)	-	-	(39)	-	(9)	41,087
Revaluations	(53,029)	-	(359,168)	(4,741)	-	-	(246)	-	-	(417,184)
Reclassified to held for sale	-	-	(757)	(1)	-	(187)	-	-	-	(945)
Reclassification	-	-	9	-	58	(64)	(8)	(54)	-	(59)
At 31 March 2013	2,253,796	-	96,142	1,994	5,626	107,601	333,115	19,709	1,879	2,819,862
Carrying amount at 31 March 2013	13,423,297	385,695	1,832,051	46,603	1,920	54,508	156,361	24,326	312,708	16,237,469
Carrying amount At 31 March 2012	13,318,374	401,849	1,994,394	52,200	2,549	54,133	171,864	24,137	363,194	16,382,694

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
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2011	14,895,093	418,329	2,048,388	56,622	8,252	142,467	472,497	33,734	650,694	18,726,076
Additions	426	235	40,407	111	424	16,993	32,489	14,112	237,990	343,187
Additions – donated	-	21	226	-	-	69	2,449	6	30	2,801
Additions - government granted	-	-	-	-	-	26	-	-	303	329
Transfers	(31,390)	-	-	-	-	-	-	-	-	(31,390)
Disposals/write-offs	-	(528)	(10,254)	-	(388)	(6,805)	(33,618)	(196)	-	(51,789)
Impairments	(36,389)	(3,821)	(173,471)	(193)	-	(9)	(91)	(7,390)	-	(221,364)
Revaluation/Indexation	552,816	1,047	75,291	2,158	-	-	-	-	1	631,313
Reclassified to held for sale	-	(13,219)	(28,031)	(892)	-	-	-	-	-	(42,142)
Reclassification	110,064	(216)	394,534	(44)	67	290	16,492	407	(523,935)	(2,341)
At 31 March 2012	15,490,620	401,848	2,347,090	57,762	8,355	153,031	490,218	40,673	365,083	19,354,680
Depreciation										
At 1 April 2011	2,014,360	-	259,796	3,913	5,433	87,536	309,760	13,213	28,578	2,722,589
Charged in year	124,365	-	80,595	1,824	804	18,436	41,712	3,451	-	271,187
Disposals	-	-	(7,606)	-	(380)	(6,731)	(33,371)	(190)	-	(48,278)
Transfers	(3,019)	-	-	-	-	-	-	-	-	(3,019)
Impairments	3,568	-	9,444	(22)	-	(2)	(25)	-	-	12,963
Revaluations	32,972	-	9,959	118	-	-	-	-	-	43,049
Reclassified to held for sale	-	-	(26,450)	(48)	-	-	-	-	-	(26,498)
Reclassification	-	-	26,959	(224)	(51)	(341)	278	62	(26,690)	(7)
At 31 March 2012	2,172,246	-	352,697	5,561	5,806	98,898	318,354	16,536	1,888	2,971,986
Carrying amount at 31 March 2012	13,318,374	401,848	1,994,393	52,201	2,549	54,133	171,864	24,137	363,195	16,382,694
Carrying amount 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

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	13,087,565	374,640	1,731,744	44,419	1,920	54,508	155,504	24,326	312,708	15,787,334
Finance Leased	-	-	11,330	-	-	-	419	-	-	11,749
On-balance sheet PFI contracts	335,732	11,055	88,977	2,184	-	-	438	-	-	438,386
Carrying amount at 31 March 2013	13,423,297	385,695	1,832,051	46,603	1,920	54,508	156,361	24,326	312,708	16,237,469

	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	12,996,137	388,512	1,876,854	47,989	2,549	54,131	170,423	24,137	363,195	15,923,927
Finance Leased	-	1	12,010	-	-	2	713	-	-	12,726
On-balance sheet PFI contracts	322,237	13,335	105,529	4,212	-	-	728	-	-	446,041
Carrying amount at 31 March 2012	13,318,374	401,848	1,994,393	52,201	2,549	54,133	171,864	24,137	363,195	16,382,694

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 2013	13,423,297	23,463	106,765	1,742	464	16,991	1,649	10,732	168,041	13,753,144
/LHB's and subsidiaries at 31 March 2013	-	362,232	1,725,286	44,861	1,456	37,517	154,712	13,594	144,667	2,484,325
Core department at 31 March 2012	13,318,374	25,969	118,507	1,827	602	19,903	2,009	10,951	149,874	13,648,016
/LHB's and subsidiaries at 31 March 2012	-	375,879	1,875,887	50,374	1,947	34,230	169,855	13,186	213,320	2,734,678

9.1 Assets 'held for sale'

	As at 31 Mar 2013			As at 31 Mar 2012		
	Land	Buildings	Total	Land	Buildings	Total
	£000	£000	£000	£000	£000	£000
Balance at the end of the year	-	5,817	5,817	-	8,282	8,282

Most of the freehold land and buildings (with exceptions noted at 1) and 2) 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.

1) Properties and land managed by the Department for Business, Enterprise, Technology & Science were valued on an annual basis by Jones Lang La Salle, Chartered Surveyors during 2012-13.

2) In intervening financial years, between formal 5 yearly valuations, freehold land and buildings are valued using latest available indices at February in each financial year to provide a reasonable estimate of valuation.

10. Intangible assets

	Information Technology £000
Cost or valuation	
At 1 April 2012	31,288
Additions	3,861
Additions –donated	21
Additions – government grant	
Disposals	(874)
Revaluation	21
Reclassifications	140
At 31 March 2013	34,457
Amortisation	
At 1 April 2012	15,169
Charged in year	5,625
Disposals	(690)
Reclassification	59
At 31 March 2013	20,163
Net Book Value at 31 March 2013	14,294
Net Book Value at 1 April 2012	16,119
Cost or valuation	
At 1 April 2011	23,272
Additions	5,734
Additions –donated	32
Additions – government grant	
Disposals	(91)
Reclassifications	2,341
At 31 March 2012	31,288
Amortisation	
At 1 April 2011	10,769
Charged in year	4,484
Disposals	(91)
Reclassification	7
At 31 March 2012	15,169
Net Book Value at 31 March 2012	16,119
Net Book Value at 1 April 2011	12,503
Analysis of intangible assets	
Core at 31 March 2013	9,603
Core at 31 March 2012	11,116

11 Financial Assets

Investments and Loans in other Public bodies	NHS Trusts Public Dividend Capital £000	Student Loans £000	Other Investments £000	¹ Invest to Save loans £000	Total £000
Balance at 31 March 2011	123,220	1,512,361	-	10,505	1,646,086
Additions	10,834	264,743	-	2,486	278,063
Loan repayments	(743)	(57,904)	-	(1,969)	(60,616)
Effective interest	-	96,813	-	-	96,813
Fair value adjustment	-	(53,412)	-	-	(53,412)
Capitalised interest	-	23,014	-	-	23,014
Policy write-off	-	(56,037)	-	-	(56,037)
Adjustment	-	(42)	-	-	(42)
Balance at 31 March 2012	133,311	1,729,536	-	11,022	1,873,869
Additions	6,400	287,331	51,968	1,469	347,168
Loan repayments	(8,109)	(86,947)	-	(2,493)	(97,549)
Effective interest	-	53,465	-	-	53,465
Fair value adjustment	-	(51,036)	-	-	(51,036)
Capitalised interest	-	30,542	-	-	30,542
Policy write-off	-	(53,465)	-	-	(53,465)
Adjustment	-	50	-	-	50
Balance at 31 March 2013	131,602	1,909,476	51,968	9,998	2,103,044

¹ Repayable loans to Local Authorities

Other Investments and Loans	Loans and 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 31 March 2011	13,114	16,719	2,729	7,513	9,691	49,766
Additions	6,170	1,142	46	(14)	3,457	10,801
Repayments	-	(2,431)	(637)	(888)	(300)	(4,256)
Fair value adjustment	1	2,244	-	1,924	(50)	4,119
Adjustment	(465)	(689)	(56)	(5,255)	361	(6,104)
Balance at 31 March 2012	18,820	16,985	2,082	3,280	13,159	54,326
Additions	20,656	3,530	5	(663)	9,612	33,140
Repayments	(2,157)	(1,632)	(219)	-	(600)	(4,608)
Fair value adjustment	(3,889)	(2,651)	-	491	(6,165)	(12,214)
Adjustment	-	(1,400)	(39)	520	19	(900)
Balance at 31 March 2013	33,430	14,832	1,829	3,628	16,025	69,744

Analysis of financial assets	WG £000	Consolidated £000
As at 31 March 2013	2,329,688	2,172,788
As at 31 March 2012	2,068,828	1,928,195

The Welsh 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 Government does not undertake any trading activity in these financial instruments. The Welsh 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%).

In accordance with IAS 39, student loans are classified as Loans and Receivables and are recorded in the financial statements at amortised cost. Student loans are currently issued under Section 22 of the Teaching and Higher Education Act 1998. They were first issued in 1990-91. The Welsh Government is responsible for loans issued to Welsh domiciled students from 1998-99 onwards (although student finance was only devolved to the Welsh Government in 2006). These loans are income contingent loans where repayments are calculated as a percentage of earnings in excess of a threshold (currently £15,795 for students who started their course prior to 2012 and £21,000 for those who started after 1 Sept 2012) and are collected by HMRC through the tax system.

Student loans are held at amortised cost. This involves the gross value of loans issued being discounted to net present value using the effective interest rate. The effective interest rate for student loans is RPI plus 2.2%, which is the HMT discount rate. The Treasury has directed that this rate, which represents the Government's long term cost of borrowing, is used for student loans.

The value of student loans issued is also reduced based on an estimate of the future cost of policy write offs ("policy write off impairment"). This reflects the fact that not all of the loans issued will be recoverable due to death, disability or age of the student.

The Welsh Government considers that the carrying value as described above is a reasonable approximation of the fair value of student loans, in the absence of an active market, readily observable market trends or similar arm's length transactions. A valuation technique is used to estimate the present value of future cash flows. The outputs of this modelling provide the basis for the net present value calculations and the estimate of irrecoverable amounts due to policy decisions.

Student loans continue to be subsidised. Students who started their course prior to 2012 are only charged interest equivalent to the rate of inflation, or Bank of England base rate plus 1% whichever is the lower ('the base rate cap'). For those students who start their studies after August 2012 interest will be added at a variable level, depending on period of study, graduation date and earnings (the interest rates vary from RPI or RPI plus 3%).

The Welsh Government estimates the future cash flows arising from repayments, and discounts these at 2.2% plus RPI to represent the Government's cost of borrowing and therefore to determine the current value of the loans. The accumulated amortisation is increased based on a percentage of loans issued in year. The percentage is calculated using a modelling tool which takes into account borrower behaviour, earnings on graduation and other assumptions. More information on these assumptions is given below.

As in 2010-11 an adjustment has been made to reflect the impact of the 'base rate cap'. The 'base rate cap' comes into effect when the Bank of England Base Rate plus 1% is lower than RPI for those students who took loans out prior to August 2012. It results in the student loan subsidy being higher than expected and that less cash is received in the future than was originally anticipated.

The student loan policy write-off impairment provision reflects the future cost of loans which could not be recovered due to the death of the student, their income not reaching the income threshold, or other causes. Each year an estimate is made of the future cost of policy write offs based on a percentage of new loans issued during the financial year. This is offset by the actual debts written off by the Student Loans Company.

The estimates underpinning these impairments are based on a forecasting model (the Student Loan Repayment Model) which holds data on the demographic and behavioural characteristics of students in order to predict their borrowing behaviour and estimates the likely repayments of student loans. The valuation is based on a set of simulated borrower profiles, derived from a complex set of assumptions, including earnings on graduation and their likely earnings growth over the life of the loan (which could be 25 years or longer). Any changes to these assumptions could have an impact on the value of the loan book included in these financial statements.

The key assumptions that impact on the value of the loan book are the discount rate used, and assumptions made about graduate earnings and the base rate cap.

- Discount rate

The HM Treasury's long-term discount rate of 2.2% plus RPI, which represents the Government's cost of capital, is used to value the future cash flows. The discount rate has not changed for a number of years, but is due to be reviewed by HMT in December 2013.

- Graduate earnings and employment

The Student Loan Repayment Model uses an estimate of graduate earnings growth and this is factored into the calculations for future cash flows.

- Base Rate Cap

On the basis of economic forecasts received from the Office of Budget Responsibility, the base rate cap is currently assumed to continue to apply until 2015-16. The impact of the base rate cap depends on the relative difference between the base rates and RPI.

- Other assumptions

There are a number of other assumptions used in the modelling, but changing these to other reasonable outcomes does not have a significant impact on the value of the loan book. It should be noted that many of the assumptions are independent of each other and could change at the same time. However, changes in earnings, unemployment and other macroeconomic factors would only have a significant impact on the value of the loan book if they were long term.

The interest in joint venture projects values in the table above have been independently assessed by Jones Lang La Salle Chartered Surveyors. The joint venture projects included in the above valuation have been undertaken in the following locations:

Hawtin Business Park, Blackwood
 MediCentre, Heath Hospital
 Parc Hendre
 Parc Hendre, Ammanford (Spec Units)
 Barry Waterfront
 Llanelli Gate, Dafen
 Cross Hands West
 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 2013		As at 31 March 2012	
	WG £000	Consolidated £000	WG £000	Consolidated £000
LHB Loans carried at amortised cost	-	27	-	74
	-	27	-	74

12. Movements in working capital other than cash

	Year ended		Restated	
	31 March 2013		31 March 2012	
	WG	Consolidated	WG	Consolidated
	£000	£000	£000	£000
Increase/(decrease) in inventories	(1,232)	(1,414)	(4,326)	(13,398)
Increase/(decrease) in receivables: non current	-	(1,342)	-	(1,662)
: current	35,300	35,413	(14,568)	(1,793)
(Increase)/decrease in payables: current	(25,739)	(19,369)	(172,332)	(180,462)
: non-current	8,056	20,772	7,796	10,913
Increase/(decrease) in other current assets	-	(47)	-	(95)
(Increase)/decrease in other liabilities	-	7,715	-	(2,625)
National Loans Fund	52	52	45	45
	16,437	41,780	(183,385)	(189,077)
Student Loans interest	30,543	30,543	23,015	23,015
Development assets movement	(3,781)	719	5,918	18,948
Adjustments for accrual movement fixed assets	2,838	(771)	(2,127)	(13,473)
Finance Wales – movement in loan provisions	-	5,780	-	7,984
Finance Wales - debtor	-	15	-	-
Adjustment for capital provision	-	1,703	-	(2,472)
Other investments held as current assets	-	(5,701)	-	2,625
Decrease in Financial Assets Long Term	-	-	-	(27)
Decrease in Financial liabilities Long Term	-	292	-	292
LHB working capital adjustment	-	(292)	-	(290)
PFI/Finance lease capital element	(7,796)	(7,796)	(7,547)	(7,547)
Medical stock write off	7,456	7,456	-	-
Other adjustment	(2)	(2)	-	-
Less movement in amounts payable to the Welsh Consolidated Fund and other non-operating cost balances	17,980	18,000	(7,688)	(7,688)
	63,675	91,726	(171,814)	(167,710)

13. Inventories - Development Assets

	As at		As at	
	31 March 2013		31 March 2012	
	WG	Consolidated	WG	Consolidated
	£000	£000	£000	£000
As at 1 April	147,603	152,213	153,521	171,161
Additions	19,479	19,479	5,760	5,760
Disposals	(8,004)	(12,504)	(4,209)	(17,239)
Transfers	3,800	3,800	-	-
Impairment on revaluation	(11,494)	(11,494)	(7,469)	(7,469)
As at 31 March	151,384	151,494	147,603	152,213

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 2013		31 March 2012	
	WG	Consolidated	WG	Consolidated
	£000	£000	£000	£000
Road salt	906	906	924	924
Cadw/LHB raw materials and consumables	146	39,187	134	36,015
Cadw goods for resale	611	611	562	562
Telecommunication spares	4,147	4,147	3,136	3,136
Drugs	26,839	45,238	32,906	50,147
	32,649	90,089	37,662	90,784

15. Trade receivables and other current assets

	31-Mar-2013		31-Mar-2012	
	WG	Consolidated	WG	Consolidated
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade receivables	90,030	165,298	51,172	108,476
Deposits & advances	76	76	89	89
NHS Trusts	-	9,002	9,447	14,175
Other tax	14,321	14,321	11,319	11,319
Prepayments and accrued income	9,809	32,736	26,584	55,233
Welsh Consolidated Fund	131	131	431	431
Loans receivable within one year	-	-	-	16,402
Accrued income relating to EU	84,338	84,338	64,364	64,364
	198,705	305,902	163,406	270,489
Amounts falling due after more than one year:				
Finance Wales loans	-	34,667	-	36,652
Prepayments	-	1,382	-	1,415
Other receivables	-	5,750	-	5,074
	-	41,799	-	43,141
Total trade receivables and other current assets	198,705	347,701	163,406	313,630

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 2013	31 Mar 2012	31 Mar 2013	31 Mar 2012
	£000	£000	£000	£000
Amounts falling due within one year:				
Balances with other central government bodies	20,864	36,032	-	-
Balances with local authorities	19,566	16,328	-	-
Balances with NHS Trusts	11,026	19,427	-	-
Balances with public corporations and trading funds	-	-	-	-
Subtotal: intra-government balances	51,456	71,787	-	-
Balances with bodies external to government	254,446	198,702	41,799	43,141
Total Trade receivables	305,902	270,489	41,799	43,141

16. Cash and cash equivalents

	WG £000	Consolidated £000		
Balance at 1 April 2011	60,584	193,730		
Net change in cash and cash equivalent balances	87,071	154,826		
Balance at 31 March 2012	147,655	348,556		
Net change in cash and cash equivalent balances	(66,547)	(75,038)		
Balance at 31 March 2013	81,108	273,518		
	WG As at 31 March 2013 £000	Consolidated As at 31 March 2013 £000	WG As at 31 March 2012 £000	Consolidated As at 31 March 2012 £000
The following balances were held at:				
Government Banking Service	75,434	132,800	143,701	152,463
Commercial banks & cash in hand	5,674	140,718	3,954	196,093
Total	81,108	273,518	147,655	348,556

17. Trade payables and other current liabilities

	As at 31-Mar-2013		As at 31-Mar-2012	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Amounts falling due within one year:				
Other taxation and social security	5,156	60,327	5,135	59,142
Trade and other payables	531,217	669,824	447,073	609,990
Accruals & deferred income:				
European Union	103,971	103,971	181,629	181,629
Other accruals and deferred income	172,138	421,610	171,999	435,313
Amounts payable to the Welsh Consolidated Fund	36,697	36,697	17,863	17,863
NHS Trusts	-	57,492	-	53,279
Primary Care Trusts	-	-	-	-
Capital Creditors	-	42,009	-	43,915
Rebates	-	1	-	13
Obligations under finance leases and PFI contracts	8,055	11,251	7,796	11,054
Staff Pensions	-	18,910	-	-
	857,234	1,422,092	831,495	1,412,198
Amounts falling due after more than one year				
Obligations under finance leases and PFI contracts	150,577	230,536	158,633	241,832
Other payables, accruals & deferred income	-	-	-	-
Finance Wales - rebates	-	-	-	1
	150,577	230,536	158,633	241,833
Total trade payables and other current liabilities	1,007,811	1,652,628	990,128	1,654,031

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 2013	31 Mar 2012	31 Mar 2013	31 Mar 2012
	£000	£000	£000	£000
Amounts falling due within one year:				
Balances with other central government bodies	13,069	29,700	-	-
Balances with local authorities	196,876	113,286	-	-
Balances with NHS Trusts	75,021	54,110	-	-
Balances with public corporations and trading funds	-	-	-	-
Subtotal: intra-government balances	284,966	197,096	-	-
Balances with bodies external to government	1,137,126	1,215,102	230,536	241,833
Total Trade payables	1,422,092	1,412,198	230,536	241,833

18. Provisions for liabilities and charges

	Staff Costs	WG NHS Provisions	Total	Staff Costs	Consolidated NHS/LHB Provisions	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2011	7,943	435,682	443,625	7,943	523,170	531,113
Provided in the year	104	79,701	79,805	104	274,794	274,898
Provisions not required written back	(246)	(1,605)	(1,851)	(246)	(129,691)	(129,937)
Borrowing costs	-	-	-	-	2,190	2,190
Transfer	-	-	-	-	(6,321)	(6,321)
Provisions utilised in year	(2,458)	(60,004)	(62,462)	(2,458)	(129,122)	(131,580)
Balance at 31 March 2012	5,343	453,774	459,117	5,343	535,020	540,363
Provided in the year	-	146,727	146,727	-	356,877	356,877
Provisions not required written back	-	(1,752)	(1,752)	-	(136,458)	(136,458)
Borrowing costs	-	-	-	-	1,964	1,964
Transfer	-	-	-	-	(2,855)	(2,855)
Provisions utilised in year	(1,973)	(66,999)	(68,972)	(1,973)	(144,531)	(146,504)
Balance at 31 March 2013	3,370	531,750	535,120	3,370	610,017	613,387

18. Provisions for liabilities and charges continued

Analysis of expected timing of discounted flows

	WG			Consolidated		
	Staff Costs	NHS Provisions	Total	Staff Costs	NHS/LHB Provisions	Total
	£000	£000	£000	£000	£000	£000
In the remainder of the Spending Review period (to 2014)	2,779	237,077	239,856	2,779	265,510	268,289
Between 2015 and 2019	495	143,363	143,858	495	176,030	176,525
Between 2020 and 2024	49	26,715	26,764	49	37,966	38,015
Thereafter	47	124,595	124,642	47	130,511	130,558
Balance at 31 March 2013	3,370	531,750	535,120	3,370	610,017	613,387

Staff Costs

(i) Early retirement provision – balance at 31 March 2013: £2,180,000 (2011-12: £4,108,000)

The Welsh 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 Government provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments.

(ii) Pension commitment provision – balance at 31 March 2013: £246,000 (2011-12: £284,000)

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 Government.

(iii) Astley case provision – balance at 31 March 2013: £944,000 (2011-12: £944,000)

The Welsh 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 2013: £7,527,000 (2011-12: £12,293,000)

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 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 2013: £2,645,000 (2011-12: £1,145,000)

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. Revisions to the scheme in March 2011 amended the level of certain ex-gratia payments, lump sums of £20k are paid out in general cases. Individuals with advanced illness receive a lump sum payment of £50k and an annual payment of £13k. The scheme was also extended to make payments to the estates of patients that died prior to August 2003.

(vi) Electronic Staff Records provision – balance at 31 March 2013: £547,000 (2011-12: £948,000)

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.

(vii) Welsh Risk Pool provision – balance at 31 March 2013: £521,031,000 (2011-12: £439,239,000)

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-2013		31-Mar-2012	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Current:				
Finance Wales borrowings	-	4,458	-	10,159
LHB other liabilities	-	1,472	-	3,486
	-	5,930	-	13,645
Non-current:				
Finance Wales borrowings	-	53,500	-	63,800
LHB other liabilities	-	1,186	-	1,478
	-	54,686	-	65,278

20. Capital Commitments

	31-Mar-2013		31-Mar-2012	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Contracted capital commitments not otherwise included within these financial statements				
Property, plant and equipment				
Network Asset Construction	163,081	163,081	100,539	100,539
Local Health Boards	-	171,376	-	166,308
Development assets	3,735	3,735	7,607	7,607
	166,816	338,192	108,146	274,454

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-2013		Restated 31-Mar-2012	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Land				
Not later than one year	9	9	9	9
Later than one year and not later than five years	37	37	37	37
Later than five years	316	316	323	323
	362	362	369	369
Buildings				
Not later than one year	8,495	23,461	9,159	25,123
Later than one year and not later than five years	27,699	57,508	30,237	60,907
Later than five years	67,582	101,412	77,075	112,149
	103,776	182,381	116,471	198,179
Other:				
Not later than one year	91	91	108	108
Later than one year and not later than five years	170	170	250	250
Later than five years	-	-	-	-
	261	261	358	358
	104,399	183,004	117,198	198,906

21.2 Commitments under finance leases

At 31 March 2013 the Welsh Government was committed to making the following minimum lease payments:

	31-Mar-2013 £000	31-Mar-2012 £000
Buildings		
Not later than one year	1,254	1,254
Later than one year and not later than five years	5,016	5,016
Later than five years	5,933	7,187
	12,203	13,457
Less interest element	(5,318)	(6,171)
	6,885	7,286

Details of LHB finance leases are held within the LHB summarised account.

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 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 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 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 Government. Under IFRIC 12, the road is treated as an asset of the Welsh 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 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.

Total obligations under on balance sheet PFI contracts for the following periods:

Welsh Government only	31 March 2013	31 March 2012
Not later than one year	17,000	18,000
Later than one year and not later than five years	76,000	71,000
Later than five years	188,000	210,000
	281,000	299,000
Less interest element	(39,956)	(44,557)
	241,044	254,443

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 £13,050,625 (2011-12: £11,804,315); and the payments to which the Welsh Government is committed, is as follows:

Welsh Government only	31 Mar 2013 £000	Restated 31 Mar 2012 £000
Not later than one year	13,022	13,792
Later than one year and not later than five years	61,799	55,827
Later than five years	132,728	150,720
	207,549	220,339

23. Other Financial Commitments

The Welsh 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 Government is committed, analysed by the period during which the commitment expires are as follows:

	31-Mar-2013		31-Mar-2012	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Not later than one year	18,286	18,286	18,205	18,205
Later than one year and not later than five years	62,991	62,991	80,525	80,525
Later than five years	10,381	10,381	11,670	11,670
	91,658	91,658	110,400	110,400

ATOS provide information technology hardware, software and support services, to the Welsh Government. The original contract began on 1 May 2004, and has been extended to January 2019.

This note does not contain any grant commitments as the Welsh Government does not accrue for grant funding commitments.

In addition, 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 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 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 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 2013 was £100.5 million.

Letters of comfort:

The Welsh Government has a maximum liability to underwrite at last resort, costs regarding contaminated land at the Brofiscin tip of £1 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 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 £125,000 per annum.

Other:

A potential disallowance of EU Agriculture funding has been identified relating to the dual use of land. The probability of the actual 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 2013		Year ended 31 March 2012	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Legal Claims – alleged medical or employer negligence	-	(116,793)	-	(94,106)
Potential contractual obligations under the WDA Act 1975	(17,000)	(17,000)	(17,000)	(17,000)
Other legal and contractual claims	(19,462)	(21,998)	(2,970)	(4,941)
	(36,462)	(155,791)	(19,970)	(116,047)

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

25. Interest

	Year ended 31 March 2013		Year ended 31 March 2012	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Interest Payable	-	9,405	-	13,632
	-	9,405	-	13,632
Interest Receivable:				
Loan interest (including Health and Student loans)	(21,739)	(21,765)	(14,488)	(15,807)
	(21,739)	(21,765)	(14,488)	(15,807)

26 National Loans Fund

	National Loans Fund £000
Balance at 1 April 2012	11,665
Repayments during year	(52)
Balance at 31 March 2013	11,613
Amounts falling due within 1 year	59
Amounts falling due between 1 and 5 years	342
Amounts falling due after 5 years	11,212
Total	11,613

The National Loans Fund loans are repayable over periods of up to 60 years from the Welsh Consolidated Fund. They bear interest rates between 13.5% and 17.25%. The Welsh Government is only responsible for repayment of the loan principal.

27. Un-hypothecated Supported Borrowing

The Welsh 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 for Ministerial portfolios to Local Authorities during the year was as follows:

	Year ended 31 March 2013 £000	Year ended 31 March 2012 £000
Health & Social Services	4,174	4,570
Housing, Regeneration and Heritage	41,745	48,388
Environment and Sustainability Development	10,341	11,441
Local Government and Communities	12,001	13,152
Education and Skills	39,038	42,660
Total Un-hypothecated Supported Borrowing	107,299	120,211

28. Losses and Special Payments

a) Losses (Excluding Local Health Boards)

	Year ended 31 March 2013			
	WG		Consolidated	
	No of Cases	£000	No of Cases	£000
Cash Losses	10	5	10	5
Claims Abandoned	387	6,256	387	6,256
Loss of accountable stores	30	7,468	30	7,468
Fruitless Payments	6	3	6	3
Ex gratia	-	-	-	-
	433	13,732	433	13,732

	Year ended 31 March 2012			
	WG		Consolidated	
	No of Cases	£000	No of Cases	£000
Cash Losses	49	165	49	165
Claims Abandoned	185	1,116	185	1,116
Administrative write-offs	1	1	1	1
Fruitless Payments	2	25	2	25
Ex gratia	8	27	8	27
	245	1,334	245	1,334

Special Payments (Excluding Local Health Boards)

	Year ended 31 March 2013			
	WG		Consolidated	
	No of Cases	£000	No of Cases	£000
Special Payments	10	24	10	24
	10	24	10	24

	Year ended 31 March 2012			
	WG		Consolidated	
	No of Cases	£000	No of Cases	£000
Special Payments	3	2	3	2
	3	2	3	2

Details on losses that exceed £250,000:

T Harding Son &Co	£252,894
Sun juice Ltd	£587,819
Falcon Steel Ltd	£649,240
Antiviral medicine – stock write-off	£7,456,451

c) Local Health Boards: Losses and Special Payments

	Year ended 31 March 2013		Year ended 31 March 2012	
	No of Cases	£000	No of cases	£000
Medical Negligence	601	60,760	552	46,624
Personal Injury	439	4,631	433	5,736
Other losses	1,613	5,619	1,493	8,188
	2,653	71,010	2,478	60,548

29. Related Party Transactions

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

The Welsh Government funds its Welsh Government Sponsored Bodies. These bodies are regarded as related parties with which the Welsh 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 Commissioner

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

Cabinet Office
Children's Commissioner for Wales
Department for Communities and Local Government
Department for Culture, Media and Sport
Department for Education
Department for Energy and Climate Change
Department for Environment, Food and Rural Affairs
Department for Health
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 Revenue and Customs
HM Treasury
Local Authorities in Wales
Ministry of Justice
NHS Bodies in Wales
Office of Government Commerce
Older Peoples Commissioner
Planning Inspectorate
Police Commissioners/Authorities in Wales
Public Health Laboratory Service
Public Services Ombudsman
Rural Payment Agency
Treasury Solicitors Department
Trunk Road Agencies in Wales
Valuation Office Agency
Wales Office
The National Fallen Stock Company

The Welsh Government has a number of subsidiary companies:

- Newport Unlimited, which is a company limited by guarantee. The Welsh Government has a two-thirds share with Newport County Council having a one third share.
- Finance Wales PLC which is included in the consolidated account
- The Design Commission for Wales, which is a Welsh 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 Government retaining overall control of its affairs.
- Welsh Development Management Ltd - included in the consolidated account
- International Business Wales Ltd – not consolidated on materiality grounds
- 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

- WGHoldco Ltd – included in financial assets

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

The wife of Leighton Andrews (Minister for Education and Skills until June 2013) is a director of BT Wales. Welsh Government has a contract with BT to deliver Next Generation Broadband in Wales. All procedures regarding related party transactions described in the Ministerial Code have been complied with.

The son of Elan Closs Stephens (non-executive director) is Director of Cube Interactive which was awarded, via open competition, grant funding of £10,000 in 2012-13 from the Digital Development Fund.

Sir Adrian Webb (non-executive director) is the Chair of Big Lottery Fund Wales which received funding in 2012-13 of £3,459,334 from Communities programmes.

Lesley Griffiths, (Minister for Health and Social Services and from 18 March 2013 Minister for Local Government and Government Business) is Vice President of the Llangollen International Music Eisteddfod which received £6,774 in the financial year for the rental of a stand.

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 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 2013		Year Ended 31 March 2012	
		€000	€000	€000	€000
Income	EU Funding	-			7
Grant Expenditure	Ireland	-		(7)	
	Wales	-		-	
		-		(7)	
Other Expenditure	Bank Charges	-		(1)	
	Exchange Gain	(16)		52	
Total Expenditure					44
Net			(16)		51

Balance Sheet as at 31 March 2013

		Year Ended 31 March 2013		Year Ended 31 March 2012	
		£000	€000	£000	€000
Trade and other receivables		557	639	552	641
Cash		1,107	1,271	1,093	1,270
Trade and other payables		(1,250)	(1,435)	(1,250)	(1,452)
Assets less liabilities		414	475	395	459
General Fund		414	475	395	459

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 of €699,000 and expenditure of €677,000 was received and spent in 2012-13 on this project.

31. Results of related companies

The Welsh 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 Government holding at 31 March 2013

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	12,500	(8,641,300)

Finance Wales plc was a wholly owned subsidiary company of the Welsh Government. The results for the year show a loss of £ 8,641,300 (2011-12 – loss £8,954,976) and share capital and reserves of £135,360,667 (2011-12 £126,950,827), 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, NW Loans Ltd, Finance Wales Investments (8) Ltd, Finance Wales Investments (9) Ltd, Finance Wales Investments (10) Ltd, Xenos – the Business Angel Network Ltd and also its share of the loss of Wales Innovation Fund Ltd, an incorporated joint venture.

The Regeneration Investment Fund for Wales LLP was a wholly owned subsidiary company of the Welsh Government. The results for the year are a profit of £2,138,846 (2011-12: loss £354,373) and members interests of £31,598,883 (31 March 2012 - £29,460,037). The company's legal form is a limited liability partnership.

The Welsh Government had a 49% interest in an associated undertaking known as Welsh Industrial Partnership LLP. The value of the interest, shown at fair value is £7,750,000 and is included in financial assets at note 11. The management structure is such that the Welsh Government does not have significant influence. The company's legal form is a limited partnership. The company was subsequently dissolved on 30 June 2013.

The Welsh Government had a 50% interest in an associated undertaking known as Dragon 24 LLP. The value of the interest, shown at fair value is £4,900,000, and is included in financial assets at Note 11. The management structure is such that the Welsh Government does not have significant influence. The company's legal form is a limited partnership.

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

The Welsh Government had a joint interest, with Cassidian Limited and Cardiff University, in EADS Foundation Wales, a company limited by guarantee. The business of the company is the commissioning of early stage R&D. It directly supports businesses and research establishments to drive the commercial exploitation of IP for economic growth in Wales. As EADS Foundation Wales progressed from its pilot phase into the current joint venture company an Asset Transfer Agreement was drawn up and signed by all 92 parties. The assets take the form of potential IP (from R&D projects in progress) which is valued as the projects mature. The long term nature of R&D projects means that since the launch of the joint venture none of the projects yet have agreed IP valuations.

The Welsh Government also had an interest in a "not for profit" development company known as the Ely Bridge Development Company Ltd. The value of the interest, shown at fair value, is £6,000,000 and is included in the financial assets at Note 11. The management structure is such that the Welsh Government does not have significant influence. The company's legal form is a company limited by guarantee.

The Welsh Government acquired one share in the Student Loan Company Ltd during the year for a nominal value of £1. This company is jointly owned by the Department of Business, Innovation and Skills, Scottish Government and Northern Ireland Government. The share gives the Welsh Government a 5% holding in the company.

The Welsh Government set up a wholly owned subsidiary, WGC Holdco Limited in 2012/13. The company's legal form is a company limited by guarantee. WGC Holdco Limited acquired 100% interest in Cardiff International Airport Ltd during the year. The value of the interest, shown at fair value, is £51,968,308 and is included in financial assets at Note 11. Following the purchase Cardiff International Airport Ltd is now classified as a public corporation and is not therefore consolidated into the accounts of WGC Holdco Limited.

The Welsh Government has not included the Local Health Board NHS Charities in the consolidated account on the grounds of materiality. The summarised results of the LHB NHS Charities are set out below for significant balances for information. NHS Charitable funds held on trust financial activities for 2012-13 have been reported to the Department of Health and Social Services as an additional Financial Return. They have been formally approved by the Boards of Directors of the Local Health Boards and will be subject to independent audit in the autumn of 2012-13.

Statement of Financial Activities	2012-13	2011-12
	£000	£000
Total incoming resources	8,481	10,367
Total resources expended	(13,352)	(12,418)
Other recognised gains and losses	2,860	(208)
Net movement in funds	(2,011)	(2,259)

Balance Sheet	31 March 2013	31 March 2012
	£000	£000
Investments	33,516	32,438
Cash	5,143	7,857
Other Assets	2,929	3,219
<i>Total Assets</i>	41,588	43,514
Liabilities	(3,585)	(3,500)
<i>Total Net Assets</i>	38,003	40,014

32. Heritage Assets

In accordance with the Welsh 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 Government: Cadw; and the Royal Commission for Ancient and Historic Monuments in Wales (RCAHMW).

Cadw is the Welsh Government's historic environment service and discharges the Welsh 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 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 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 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 2011, which used sampling to estimate the general extent of NMRW's holdings, heritage assets comprise of over 2 million photographs, over 120,000 plans and drawings and 95,000 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 Government belong to the Principal Civil Service Pension Scheme, with the exception of a small number of staff who have retained membership of their pre-merger schemes. 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 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 (<http://www.civilservice.gov.uk/pensions>).

For 2012-13, employers contributions of £32,377,277 were payable to the PCSPS (2011-12: £32,063,095) at one of four rates in the range 16.7 to 24.3 per cent (2011-12: 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 2012-13, 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 2012-13 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 £175,959 (2011-12: £129,713) 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, employer contributions of £11,915, 0.8 per cent of pensionable pay, were 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.

Contributions due to the partnership pension providers at the balance sheet date were £nil (2011-12: £nil). Contributions prepaid at the date were £nil (2011-12: £nil).

6 individuals retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £11,283.

33b. Former Welsh Development Agency Employees

Former Welsh Development Agency employees transferred to the Welsh 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 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 Government and are administered by Rhondda Cynon Taf 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 Welsh Government. The agreed employer's contribution rate was 22.3% of pensionable earnings.

FUNDED BENEFITS

Main financial assumptions used

	At 31 March 2013	At 31 March 2012	At 31 March 2011
Rate of increase in Salaries	4.6%	5.00%	5.20%
Rate of increase in Pensions in payment	2.7%	2.50%	2.80%
Rate of increase to deferred pensions	2.7%	2.50%	2.80%
Discount rate	4.4%	4.70%	5.4%
RPI Inflation assumption	3.6%	3.50%	3.70%
CPI Inflation assumption	2.7%	2.50%	2.80%

The expected rate of return on assets were:

	Long-term rate of return expected at 31 March 2013	Asset split at 31 March 2013	Long-term rate of return expected at 31 March 2012	Asset split at 31 March 2012	Long-term rate of return expected at 31 March 2011	Asset split at 31 March 2011
	% pa	%	% pa	%	% pa	%
Equities	7.8	68.7	8.1	65.6	8.4	68.0
Property	7.3	5.9	7.6	6.8	7.9	6.8
Government bonds	2.8	10.6	3.1	10.5	4.4	10.4
Corporate bonds	3.8	11.4	3.7	13.3	5.1	12.9
Cash	0.9	3.4	1.8	3.8	1.5	1.9
Other	7.8	-	8.1	-	8.4	-
Total	6.6	100	6.7	100	7.4	100

The Welsh 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 2013. The estimate of regular contributions to the fund for the accounting period to 31 March 2014 is £5.14 million.

Reconciliation of funded status to balance sheet

	Value as at 31 March 2013 £000	Value as at 31 March 2012 £000	Value as at 31 March 2011 £000
Fair value of assets	114,750	98,950	91,570
Present value of funded defined benefit obligation	(196,840)	(177,170)	(159,530)
Asset/(liability) recognised on statement of financial position	(82,090)	(78,220)	(67,960)

Analysis of income and expenditure/profit and loss charge

	2012-13 £000	2011-12 £000
Current service cost	1,940	1,870
Past service cost	130	270
Interest cost	8,260	8,530
Expected return on assets	(6,610)	(6,700)
Curtailement cost	-	-
Settlement cost	-	-
Expense recognised	3,720	3,970

Changes to the present value of liabilities during the accounting period

	2012-13 £000	2011-12 £000
Opening present value of defined benefit obligation	177,170	159,530
Current service cost	1,940	1,870
Interest cost	8,260	8,530
Contributions by participants	630	680
Actuarial (gains)/losses on liabilities*	14,070	12,450
Net benefits paid out	(5,360)	(6,160)
Past service cost	130	270
Closing present value of defined benefit obligation	196,840	177,170

*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

	2012-13 £000	2011-12 £000
Opening fair value of assets	98,950	91,570
Expected return on assets	6,610	6,700
Actuarial gains/(losses) on assets	9,280	(4,270)
Contributions by the employer	4,640	10,430
Contributions by participants	630	680
Net benefits paid out	(5,360)	(6,160)
Closing fair of assets	114,750	98,950

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

	2012-3 £000	2011-12 £000
Expected return on assets	6,610	6,700
Actuarial gain/(loss) on assets	9,280	(4,270)
Actual return on assets	15,890	2,430

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

	2012-13	2011-12
	£000	£000
Fair value of assets	114,750	98,950
Present value of defined benefit obligation	(196,840)	(177,170)
Deficit	(82,090)	(78,220)

History of experience gains and losses

	2012-13	2011-12
	£000	£000
Experience gains/(losses) on assets	9,280	(4,270)
Experience gains/(losses) on liabilities	290	(1,060)

UNFUNDED BENEFITS

Main financial assumptions used

	At 31 March 2013	At 31 March 2012	At 31 March 2011
Rate of increase in Pensions in payment	2.6%	2.4%	2.7%
Discount rate	4.1%	4.6%	5.5%
RPI Inflation assumption	3.5%	3.4%	3.6%
CPI Inflation	2.6%	2.4%	2.7%

Reconciliation of unfunded status to balance sheet

	2012-13	2011-12	2010-11
	£000	£000	£000
Present value of liabilities	10,480	9,990	8,280
Net pension asset(liability)	(10,480)	(9,990)	(8,280)

Analysis of income and expenditure/profit and loss charge

	2012-13	2011-12
	£000	£000
Current service cost	-	-
Past service cost	90	20
Interest cost	450	440
Expense recognised	540	460

Changes to the present value of liabilities during the accounting period

	2012-13	2011-12
	£000	£000
Opening present value of liabilities	9,990	8,280
Current service cost	-	-
Interest cost	450	440
Actuarial (gains)/losses on liabilities*	630	1,920
Net benefits paid out	(680)	(670)
Past service cost	90	20
	<hr/>	<hr/>
Closing present value of liabilities	10,480	9,990

*Includes changes to the actuarial assumptions

History of present value of liabilities and surplus/deficit

	2012-13	2011-12
	£000	£000
Present value of liabilities	10,480)	9,990
Surplus/(deficit)	(10,480)	(9,990)

History of experience gains and losses

	2012-13	2011-12
	£000	£000
Experience gains (losses)	150	(1,280)

33c. Former Wales Tourist Board employees

Wales Tourist Board employees transferred to the Welsh 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 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 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 Welsh Government 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 4.4% per annum; that salary increases would average 3.25% per annum; and that pensions would increase in payment at 2.75% per annum.

The interim valuation showed that the value of the scheme's assets was £217 million and that the actuarial value of those assets represented 90% 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).

33d. Local Health Board employee pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations, using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2013 is based on the valuation data as 31 March 2012, updated to 31 March 2013 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the scheme actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Pension Accounts, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

The Scheme Regulations were changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next formal valuation to be used for funding purposes will be carried out as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

34. Financial Instruments

IFRS 7 Financial Instruments: the standard requires the Welsh 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 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 Government is however exposed to some forms of credit, liquidity and market risk via specific programmes/activities undertaken in pursuance of its aims. Details of risks associated with Student Loans are outlined in Note .

Credit Risk

The Welsh 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 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.

Student loans are issued as a result of a statutory obligation. The Welsh Government is not permitted to withhold loans on the basis of poor credit rating nor is it able to seek collateral. There is therefore an exposure to the risk that some student loans will not be repaid, although this is partly mitigated by the fact that most repayments are collected by Her Majesty's Revenue & Customs (HMRC) as part of the tax collection process. The impact of non-repayment is taken account of when providing for the policy write off impairment.

The Welsh Government works together with the SLC and HMRC to manage the collection of student loan repayments and manage the associated credit risks. There is a Memorandum of Understanding in place between the Welsh Government and the Department for Business, Innovation and Skills, the SLC who administer the loan books, and HMRC. This sets out the responsibilities of all parties and contains performance targets and indicators, which are revised annually. The Accounting Officers of HMRC and the SLC report quarterly to the Department for Business, Innovation and Skills' Accounting Officer on progress towards the agreed targets and performance indicators

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 Government is exposed to negligible currency risk on its foreign currency transactions, except for funds received from the European Union to the Welsh European Funding Office which is part of the Department of Business, Enterprise, Technology & Science.

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 interest rate risk

The amount of student loan interest repayable is subject to the fluctuations in the market interest rate. This can lead to a risk in forecasting the amount of interest payable. Furthermore, if the UK continues to experience interest rates that are lower than RPI and therefore, the interest rate cap recurs with frequency, the future cash flows will be impaired as the modelling assumes.

Subsidiary interest rate risk

Finance Wales plc, a subsidiary company of the Welsh 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 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.