

Welsh Government Llywodraeth Cymru Consolidated Accounts 2013-14

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 2014, together with the Certificate and Report of the Auditor General for Wales thereon.

Laid before the Assembly on 30 July 2014 pursuant to the Government of Wales Act Section 131

Consolidated Annual Report and Accounts 2013-14

Introduction from the Permanent Secretary

In my introduction to last year's annual report and accounts, I said that the main challenge facing Welsh Government civil servants in the years ahead would 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. Looking back over the past year, my view hasn't changed; if anything, it has become more clearly defined.

As the year has unfolded, some of the critical detail on what this challenge will mean for government in Wales has become clearer. Reports from the Commission on Devolution in Wales (the 'Silk Commission') and the Commission on Public Service and Delivery (the 'Williams Commission') made very important recommendations on the future governance of Wales within the UK. Silk recommends the remodelling of the Welsh devolution settlement, together with extensive new powers for the National Assembly for Wales, and new arrangements to enable the Welsh and UK Governments to work more effectively in the interests of people in Wales. Williams proposes a very ambitious Welsh public service reform agenda, with implications for every department of the Welsh Government and the wider public sector in Wales. The challenges, and new opportunities, presented by these reports are immense. But I am confident that we have right structures in place to meet these challenges successfully and seize the opportunities opened up to secure better outcomes for Wales.



As I write this message, we have passed the half-way point of this Assembly term. On 03 June the Welsh Government's **Programme for Government Annual Report** was released, setting out a clear and detailed account of how the Welsh Government and our public service partners are delivering. This year's report demonstrates significant progress on priorities over the past twelve months. I am very pleased to report that, in the last year, we have come a long way in ensuring that the Welsh Government civil service is aligned to those Ministerial priorities and is focused on delivery, including moving £7 million of our running costs from central services into 'frontline' policy areas.

The last year has also seen real pace in the delivery of the Welsh Government's legislative programme. When I last reported to you, I described the first Bill to receive Royal Assent. There are now 12 Acts on the statute book, including the ground breaking Human Transplantation Act, which sets out the legal framework for consent to the donation of organs and tissues for transplantation in Wales. We have invested a huge amount of time and energy in increasing our legislative capability and I am proud to see how far we have come in such a short space of time.

However, in the excitement of rapidly unfolding developments in the governance of Wales, we must not forget about the core business of government and the skills that enable us to manage government business effectively. We know that Ministerial and public confidence is grounded in getting these basics right. For example, enabling other organisations to work towards achieving better outcomes for Wales through financial support is another hugely important part of our work. We have made strides in improving our management of grants, and I want to make this a priority for the coming year. I am also pleased to report that good progress has been made on the key governance issues that were identified in last year's report, that we have improved internal control arrangements in place, and that we continue to tackle areas of weakness.

Our Capability Plan is focused on increasing our skills in core areas of government business, as well as the new skills we will need to respond to developments in the devolution settlement. We are also working hard to tackle the internal complexity and bureaucracy that can draw our attention away from practising these core skills, and unnecessarily divert us from getting important work done quickly and efficiently.

Our ambition for the Welsh Government Civil Service is that we will be an exemplar small country administration from which other organisations can learn. We are certainly on our own steep learning curve in some areas, but I am confident we are working towards, and realising, delivery and excellence.

I would like to thank my colleagues in particular this year for their flexibility in working in different ways, for their agility in responding to new challenges, and for their continued commitment to, and enthusiasm for, delivering better outcomes for people in Wales.

Derek

The Welsh Government at a glance

The Welsh Government is the devolved government for Wales and 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, the Welsh Government makes decisions and ensures delivery in the areas devolved to it, as set out in Schedule 7 of the Government of Wales Act 2006. This involves developing and implementing policies; setting up and directing delivery and governance; and proposing Welsh Laws (Assembly Bills); and making subordinate legislation, such as regulations and statutory guidance. It also directly funds Welsh Government Sponsored Bodies.

Programme for Government

The Programme for Government (PfG) is the Welsh Government's plan of action. 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 the government is actually having on people's lives.

Each year, the Programme for Government Annual Report provides a clear and detailed account of how the Welsh Government and our public service partners are delivering for the people of Wales.

In his foreword to the 2013/14 Annual Report, the First Minister said:

'The Welsh Government has been standing up for Wales during very tough times. We will continue to secure the recovery by taking the right decisions to modernise and reform public services in the interests of every Welsh citizen.'

This year, the Annual Report's summary document sets out progress against the First Minister's four key priorities:

- Growth and Sustainable Jobs
- Health and Wellbeing
- Educational Attainment
- Supporting Children, Families and Deprived Communities

The report and full set of Programme for Government indicators can be accessed from our website.

The Cabinet

Following the Cabinet reshuffle in June 2013 there were ten Cabinet Ministers and three Deputy Minister posts, plus the Counsel General:

Rt. Hon Carwyn Jones	First Minister
Leighton Andrews	Minister for Education and Skills (until 25/06/2013)
John Griffiths	Minister for Culture and Sport
Lesley Griffiths	Minister for Local Government and Government Business
Edwina Hart MBE CStJ	Minister for Economy, Science and Transport
Jane Hutt	Minister for Finance
Huw Lewis	Minister for Communities and Tackling Poverty until 25/06/2013 then Minister for Education and Skills
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 to 25/06/2013 then Welsh Minister for Communities and Tackling Poverty
Vaughan Gething	Deputy Minister for Tackling Poverty from 01/07/2013
Ken Skates	Deputy Minister for Skills and Technology from 01/07/2013
Gwenda Thomas	Deputy Minister for Social Services

Further changes were made to the Cabinet in July 2014 and will be reported in 2014-15.

Board Membership

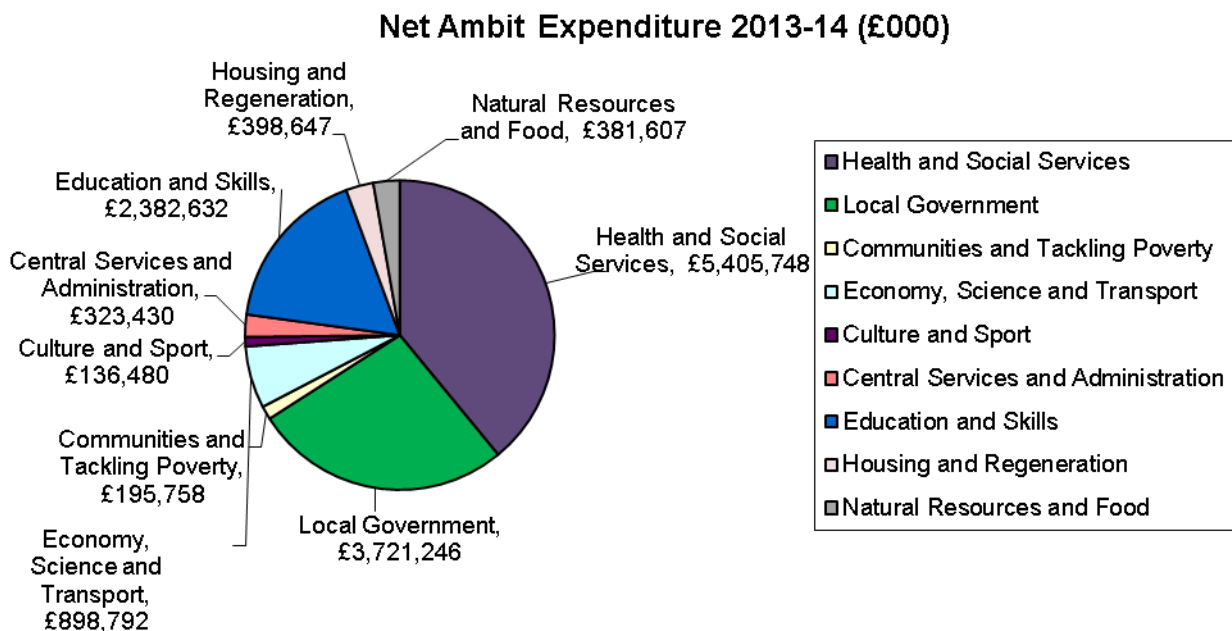
In 2013-14 the Board was made up of seven people at Director General (DG) level, each leading major areas of Government responsibility in support of Ministers. In September 2013 this was reduced to six by combining Central Service functions. The Board also included three Non Executive Directors who brought 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:

Sir Derek Jones KCB	Permanent Secretary	
Owen Evans	DG, Education and Skills	
Bernard Galton	DG, PPCS	Until 30.09.2013
Michael Hearty	DG, Finance and Corporate Services	
Gareth Jones	DG, Sustainable Futures	
June Milligan	DG, Local Government and Communities	
James Price	DG, Economy, Science and Transport	
David Sissling	DG, Health and Social Services	
David Richards	Director of Governance	From 23.05.2013
Jeff Godfrey	Director of Legal Services	From 23.05.2013
Elan Closs Stephens	Non-Executive Director	
James Turner	Non-Executive Director	
Adrian Webb	Non-Executive Director	

What the Welsh Government spends

In line with the approved budget the Welsh Government spent around £14bn on behalf of people in Wales during 2013-14. Spending was broken down across key areas of responsibility as shown in the pie chart below.



All activities are continuing for financial reporting purposes to 31 March 2014.

The outturn of £13.844bn (2012-13: £13.060bn) compared to the Final Budget of £13.930bn (2012-13: £13.113bn), resulting in an under-spend of £85m (Page 28) which is 0.6% of the total budget.

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

For Health and Social Services the under-spend of £26,882,000 related to timing differences between the NHS consumption of resource and the cash drawn.

Education and Skills had an over-spend of £10,137,000 which, as noted in the Governance Statement, was due to data errors used in the non-cash estimation of costs.

Economy, Science and Transport had an under-spend of £47,037,000 primarily due to lower road network depreciation charges than anticipated, and improvements in commercial property values which lowered expected impairment costs.

The Welsh Government reviews performance and allocates resources according to the voted budget shown on Page 28. 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;
Career Choices Dewis Gyfra Ltd;
WGC Holdco 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. The differences between those policies and those adopted by the Welsh Government do not have a material impact on these consolidated financial statements. Accordingly, no adjustments have been made to reflect differences in accounting policies.

Results for the year

The results for the period are reported in detail in the attached accounts. The Consolidated Statement of Net Expenditure (Page 29) records net comprehensive expenditure of £13.0bn (2012-13: £12.6bn).

Non-current assets

Property, plant and equipment additions in the period (Note 9) were £330m on an asset base of £16bn, for primarily Infrastructure assets and NHS Wales property portfolios.

Financial assets are predominantly the Student Loan book of £1.8bn out of the total £2bn.

Contingent liabilities

Contingent liabilities that have not been provided for under IAS 37 are described in Note 20

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 18 of this document.

Senior appointments and remuneration

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 2013-14.

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

Responding to the Silk and Williams Reports

The UK Government produced its formal response to the Silk Commission's Part 1 report in November 2013, accepting almost all of the Commission's recommendations. Welcoming the UK Government response, Minister for Finance Jane Hutt commented the report represents a 'good deal for Wales and a big step forward for devolution.'

The recommendations represent a significant change in the fiscal powers of the National Assembly for Wales and Welsh Ministers, including: devolution of legislative competence over tax on transactions involving an interest in land (currently subject to Stamp Duty Land Tax) and tax on disposals to landfill (currently subject to Landfill Tax); full devolution of Non-Domestic Rates; partial devolution of income tax subject to a referendum; competence to introduce new taxes with the agreement of Parliament; enhanced borrowing powers for capital investment and to manage short-term volatility in tax receipts; and competence to amend the Assembly's budgetary procedures.

The Wales Bill – which will implement the changes to fiscal powers – was introduced to Parliament in March 2014, alongside a Command Paper which set out target dates for tax devolution and further details of the new public expenditure framework within which the new arrangements will operate. The Wales Bill is on track to achieve Royal Assent before the end of 2014, and work is now well underway to prepare for implementation of the new arrangements, which will necessitate at least three Welsh Bills and major changes to Welsh Government financial management arrangements.

On July 01, the First Minister announced the Welsh Government response to Silk part 2, setting out the Cabinet's case for more extensive powers to give Wales a clearer and simpler constitutional settlement. Moving towards a reserved powers model, the report's recommendations would put all devolved administrations on the same footing. Forming part of a wider vision to reform the governance of Wales at national and local level, the full Welsh Government response to Silk 2 can be accessed from our website: [Devolution, Democracy and Delivery: Powers to achieve our aspirations for Wales](#).

Alongside these major developments to the devolution settlement, there have been important developments in relation to the governance framework for devolved public services in Wales in 2013-14. In particular, in April 2013 the Welsh Government announced the establishment of the Commission on Public Service Governance and Delivery, led by Sir Paul Williams. The Commission researched and consulted widely during 2013 and reported to the Welsh Government on 20 January 2014, making a significant set of recommendations focused on the complexity, capability, scrutiny,

governance, leadership and performance of public services. The recommendations included proposals around merging local authorities in Wales. The Welsh Government has welcomed the Commission's comprehensive and detailed report.

How we work

The Welsh Government is fortunate to have a skilled and experienced workforce located across Wales, close to the communities it serves. With fundamental changes to governance in Wales on the horizon for the coming years, it is encouraging and reassuring to see that the Welsh Government's employee engagement levels have remained strong this year. According to the 2013 People Survey results, for the third year running, the Welsh Government's employee engagement score has risen. With an index of 64%, the Welsh Government's score is now 6% above the UK Civil Service average. Overall this year's results were very strong; responses improved in 51 out of 64 questions, and performed above the Civil Service average in 90% of questions. Crucially, 89% of colleagues have a clear understanding of the Welsh Government's purpose and 87% believe the organisation is focused on supporting Ministers to deliver outcomes for people and communities in Wales. A full breakdown of the People Survey Results for 2013 is available on the website: [People Survey 2013 Results](#)

However, this does not mean there are no issues to be addressed and I am not complacent about these results. This year, we have taken a local approach to action planning in response to our results with each Head of Division tasked with holding sessions in their areas, involving their teams directly in discussing the results in-depth and developing tailored local actions. Actions are now being implemented.

90% of our staff believe they have the skills they need to do their jobs. But again we are not complacent. A core part of ensuring our staff remains engaged in their work, and making sure that we have the right skills and knowledge in place to deliver against Ministerial priorities, our first Capability Plan was prepared in October 2013, and refreshed in May 2014. The plan sets out an integrated approach to capability development that recognises the essential connection between informed business planning at organisational and departmental level, efficient flexible resourcing arrangements and sustained investment in learning and development in its widest sense. We continue to provide our staff with 5 days learning and development each year, and are working to increase volunteering and shadowing opportunities as alternative ways of learning new skills.

We also have comprehensive support in place to ensure the health, safety and wellbeing of our staff at work, and as much as we can, provide support for the pressures that can take hold outside of work. Our occupational health support is well established; our sickness absence rates are below:

Welsh Government Sickness Absence	2013-14	2012-13
Days Lost (short term)	19,156	19,844
Days Lost (long term)	19,534	19,120
Total Days Lost (12 month period)	38,690	38,964
Total staff years	5,453	5,293
Total staff employed in period (headcount)	6,097	5,965
Total staff employed in period with no absence (headcount)	2,625	2,448
% staff with no sick leave	43%	41%
Average working days lost	7.1	7.4

Reducing complexity in our processes and the ways that we work has been a central theme of organisational improvement this year, and will continue to be in the coming year. So far, we have focused on stripping out the unnecessary bureaucracy and complexity that hinders, and sometimes halts, efficient delivery in two key areas of our work; providing policy advice to Ministers, and using email and email record keeping. Using rapid solution event methodology, we've brought together more than 200 representatives from across the organisation over two days to focus solely on the issues we face, exploring, pitching and securing senior leadership agreement to solutions. Building on the work produced at these events, we now have a number of projects in place to implement the recommendations. In addition we have ongoing, open channels of communication that allow our staff to challenge complexity in our organisation; these include our Complexity Hotline and The Exchange, our online innovation and discussion forum.

Supporting equality and diversity to thrive is another priority for Welsh Government Ministers and the Welsh Government civil service. An account of Welsh Government policy and progress towards meeting the Cabinet's aims on equality, diversity, and tackling poverty can be found on our [Programme for Government webpages](#). We also publish an annual report on equality on our website: [Annual Report on Equality](#).

Internally, in addition to the policies we already have in place to promote equality, diversity and equal opportunity for all colleagues, a further programme of work is being developed in support of this aim, including establishing a baseline for what we should be achieving in this area, looking into our recruitment processes, and re-invigorating our staff diversity networks. You can access our latest employer equality report from our website: [Welsh Government Employer Equality reports](#)

An essential part of diversity and equality in Wales is, of course, **the Welsh Language** and the ability of people to conduct their lives in the language of their choice. In early 2014, the publication of the proposed standards related to the Welsh Language, which will apply to county borough councils and borough councils, national parks and the Welsh Government, has certainly served to focus minds on meeting customers' needs, and what we are doing internally to support colleagues to work effectively in their chosen language. A summary of Welsh Government policy and progress towards meeting the Cabinet's aims on the Welsh Language can be found on our [Programme for Government webpages](#). We also publish an annual report on the Welsh Language on our website: [Welsh Language Scheme Annual Report](#).

Sustainable development remains a central organising principle for the Welsh Government. An account of our organisation's commitment to sustainability, both in terms of Ministerial priorities and civil service attention to running sustainable government business can also be found on our website. For information on Ministerial aims and progress against them, visit the [Programme for Government webpages](#). Our annual report on sustainable development is also available from our website: [One Wales: One Planet, the Sustainable Development Annual Report 2013/14](#)

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:

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.

For the Welsh Government's annual report on the sustainability of our administrative estate, please visit our website to access our [State of the Estate Report](#).

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

Greenhouse Gas Emissions		2010-11	2011-12	2012-13	2013-14	
Non-Financial Indicators ('000 tCO ₂ e)	Total Gross Emissions	12.1	10.4	10.4	9.2	
	Total Net Emissions	12.1	10.4	10.4	9.2	
	Gross Emissions Scope 1 (Gas)	1.9	1.9	1.9	1.5	
	Gross Emissions Scope 2 (Electricity)	10.2	8.8	8.5	7.7	
Related Energy Consumption (million KWh)	Electricity: Non-renewable	17.2	12.0	11.9	13.0	
	Electricity: Renewable	1.8	4.0	4.0	1.2	
	Gas	10.0	8.6	10.2	8.4	
	LPG	0.0	0.0	0.0	0.0	
Financial Indicators (£million)	Expenditure on Energy	2.18	2.01	2.3	na	
	CRC Allowances (2012 onwards)	0	0.178	0.202	na	
	Expenditure on official business travel	4.77	3.98	na	na	
Waste		2010-11	2011-12	2012-13	2013-14	
Non-Financial Indicators (tonnes)	Total Waste		848	665	651	576
	Hazardous Waste	Total	-	1	1	Negligible
		Non-Hazardous Waste	Landfill	216	268	218
	Reused/Recycled		550	448	355	404
	Composted		-	76	76	30

We are **committed to operating fairly and transparently**. To demonstrate this commitment, we proactively publish a wide range of information and provide guidance on how to request information on our website. We publish Ministerial Decision Reports and papers associated with the work of the Cabinet. We maintain a comprehensive log of responses we have issued to requests for information on our website. We also publish an annual report on access to information on our website: [Report on the Implementation of Open Government Legislation and Policies](#).

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 2014, records from across Welsh Government showed that 93% 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.

REMUNERATION REPORT 2013-14

Remuneration Policy

The remuneration of senior civil servants is set at UK Government level following independent advice from the Review Body on Senior Salaries. The Welsh Government has delegated responsibility for the remuneration of non-SCS staff.

The Review Body also advises 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 the 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.

Single total figure of remuneration

Ministers	Salary 2013-14 £	Salary 2012-13 £	Pension benefits (to nearest £1000) ³ 2013-14	Pension benefits (to nearest £1000) ³ 2012-13	Total (to nearest £1000) 2013-14	Total (to nearest £1000) 2012-13
Rt. Hon Carwyn Jones <i>First Minister</i>	132,427	132,427	35,000	40,000	167,000	172,000
Leighton Andrews <i>Welsh Minister (to 25/06/2013)</i>	22,339	94,611	5,000	25,000	27,000	120,000
Edwina Hart MBE CStJ <i>Welsh Minister</i>	94,611	94,611	18,000	23,000	113,000	118,000
Lesley Griffiths <i>Welsh Minister</i>	94,611	94,611	29,000	32,000	123,000	127,000
Jane Hutt <i>Welsh Minister</i>	94,611	94,611	17,000	22,000	112,000	117,000
Carl Sargeant <i>Welsh Minister</i>	94,611	94,611	28,000	31,000	123,000	126,000
John Griffiths <i>Welsh Minister</i>	94,611	94,611	26,000	29,000	121,000	124,000
Huw Lewis ² <i>Welsh Minister</i>	94,611	94,611	25,000	28,000	120,000	123,000
Mark Drakeford <i>Welsh Minister</i>	94,611	3,561	36,000	2,000	131,000	6,000
Theodore Huckle <i>Counsel General</i>	95,801	95,801	36,000	37,000	132,000	133,000
Alun Davies ² <i>Welsh Minister</i>	94,611	80,058	33,000	27,000	128,000	107,000
Jeff Cuthbert <i>Deputy Welsh Minister (to 25/06/2013) then Welsh Minister (from 26/06/2013)</i>	91,040	79,489	29,000	26,000	120,000	105,000
Vaughan Gething <i>Deputy Welsh Minister (from 01/07/2013)</i>	59,618	-	20,000	-	80,000	-
Ken Skates <i>Deputy Welsh Minister (from 01/07/2013)</i>	59,617	-	20,000	-	80,000	-
Gwenda Thomas ¹ <i>Deputy Welsh Minister</i>	78,263	78,263	17,000	17,000	95,000	95,000

1 Did not draw full Members Salary

2 Includes salary sacrificed in respect of childcare vouchers

3 Pension benefits are calculated on a formula basis which can create year on year variations

The salaries of the Welsh Ministers which are reflected in the accounts of the National Assembly for Wales Commission are shown in the table above. No benefits in kind are received. Ministerial salaries include their salaries and entitlements (including pension entitlements) as Assembly Members.

Ministers	Accrued Pension at pension age as at 31/03/14 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/14	CETV at 31/03/13	Real increase in CETV
Rt. Hon Carwyn Jones <i>First Minister</i>	35-40	0-2.5	430	381	15
Leighton Andrews <i>Welsh Minister</i>	30-35	0-2.5	469	460	3
Edwina Hart MBE CStJ <i>Welsh Minister</i>	35-40	0-2.5	570	520	11
Lesley Griffiths <i>Welsh Minister</i>	15-20	0-2.5	263	223	18
Jane Hutt <i>Welsh Minister</i>	40-45	0-2.5	789	761	16
Carl Sargeant <i>Welsh Minister</i>	15-20	0-2.5	219	188	12
John Griffiths <i>Welsh Minister</i>	20-25	0-2.5	380	335	18
Huw Lewis ² <i>Welsh Minister</i>	25-30	0-2.5	342	303	12
Mark Drakeford <i>Welsh Minister</i>	5-10	0-2.5	89	50	28
Theodore Huckle <i>Counsel General</i>	5-10	0-2.5	87	55	20
Alun Davies ² <i>Welsh Minister</i>	10-15	0-2.5	147	114	17
Jeff Cuthbert <i>Welsh Minister</i>	15-20	0-2.5	315	273	26
Vaughan Gething <i>Deputy Welsh Minister</i>	10-15	0-2.5	114	97	6
Ken Skates <i>Deputy Welsh Minister</i>	0-5	0-2.5	31	21	7
Gwenda Thomas ¹ <i>Deputy Welsh Minister</i>	15-20	0-2.5	301	287	12

Single total figure of remuneration

This year, for the first time, the Financial Reporting Manual (FRoM) requires that all central Government Departments include a Single Total Figure of Remuneration along with a prior year comparative for 2012-13 within the remuneration report. Total remuneration includes salary, bonus payments and benefits in kind (as detailed in previous accounts) plus the addition of a pension benefit figure. Pension benefits have been calculated using the methodology used to derive pension values for tax purposes. As a result the figures can be influenced by other factors such as an individual deciding to make additional contributions or valuation factors that impact the pension scheme as a whole and are, therefore, not always a true representation of the actual amounts of pension paid or earned by an individual in any one year. Nevertheless, this methodology applies to all government departments including NHS bodies. The Welsh Government has highlighted the inconsistencies that may arise due to this approach and will again be approaching HM Treasury and Wales Audit Office over whether the methodology should be revised for 2015/16.

Single total figure of remuneration

Officials:	Salary 2013-14	Salary 2012-13	Pension benefits (to nearest £1000) ³ 2013-14	Pension benefits (to nearest £1000) ³ 2012-13	Total (to nearest £1000) 2013-14	Total (to nearest £1000) 2012-13
	£000	£000	£000	£000	£000	£000
Sir Derek Jones KCB <i>Permanent Secretary</i>	155-160	75-80 (full year equivalent 155-160)	85-90	85-90	245-250	245-250
David Richards Principal Accounting Officer <i>Principal Accounting Officer (from 10/07/12 to 07/10/12) and then on the Board as Director of Governance (from 23/05/13)</i>	85-90 (full year equivalent 95-100)	25-30 (full year equivalent 105-110)	(0-5)	20-25	110-115	45-50
David Sissling ¹ <i>Director General</i>	200-205	200-205	80-85	20-25	280-285	220-225
Bernard Galton <i>Director General (until 30/09/13)</i>	65-70 (full year equivalent 130-135)	130-135	(5-10)	0-5	55-60	130-135
Owen Evans <i>Director General</i>	130-135	40-45 (full year equivalent 130-135)	50-55	(0-5)	180-185	40-45
June Milligan <i>Director General</i>	130-135	125-130	50-55	75-80	185-190	200-205
James Price <i>Director General</i>	130-135	130-135	25-30	65-70	160-165	195-200
Michael Hearty ² <i>Director General</i>	145-150	140-145	65-70	5-10	215-220	145-150
Gareth Jones <i>Director General</i>	130-135	120-125	75-80	195-200	205-210	315-320
Jeff Godfrey <i>Director Legal Services (from 23/05/13)</i>	90-95 (full year equivalent 105-110)	-	15-20	-	105-110	-
Elan Closs Stephens <i>Non-Executive Director</i>	10-15	10-15	-	-	10-15	10-15
James Turner <i>Non-Executive Director</i>	10-15	10-15	-	-	10-15	10-15
Sir Adrian Webb <i>Non-Executive Director</i>	10-15	10-15	-	-	10-15	10-15
Band of Highest Paid Director's Total Remuneration (£'000)	200-205	200-205				
Median Total Remuneration (£)	33,900	31,800				
Ratio	5.9	6.3				

¹David Sissling was seconded from Abertawe Bro Morgannwg University LHB until 31/03/2014.

²Michael Hearty's salary includes £9,268 (2012-13: £14,063) of taxable relocation allowances under the relocation policy.

³The calculation used for pension benefits produces anomalies when untypical movements in benefits arise, which are not reflected by actual amounts of pension earned or paid.

	Accrued Pension at pension age as at 31/03/14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/14	CETV at 31/03/13	Real increase in CETV
Officials					
	£000	£000			
Sir Derek Jones KCB <i>Permanent Secretary</i>	70-75 plus lump sum of 220-225	2.5-5 Plus lump sum of 12.5-15	1,665	1,553	87
David Richards Principal Accounting Officer	45-50 plus lump sum of 135-140	0-2.5 plus lump sum of 0-2.5	1,010	955	(1)
David Sissling <i>Director General</i>	40-45 plus lump sum of 130-135	5-7.5 plus lump sum of 15-17.5	947	791	139
Bernard Galton <i>Director General (until 30/09/13)</i>	60-65 plus lump sum of 185-190	0-2.5 plus lump sum of 0-2.5	1,332	1,264	9
Owen Evans <i>Director General</i>	10-15	2.5-5	105	69	21
June Milligan <i>Director General</i>	50-55 plus lump sum of 160-165)	2.5-5 plus lump sum of 7.5-10	1,046	939	44
James Price <i>Director General</i>	35-40	0-2.5	393	352	11
Michael Hearty <i>Director General</i>	50-55 plus lump sum of 155-160	2.5-5 plus lump sum of 10-12.5	1,010	894	57
Gareth Jones <i>Director General</i>	55-60 plus lump sum of 170-175	2.5-5 plus lump sum of 10-12.5	1,165	1,030	67
Jeff Godfrey <i>Director Legal Services</i>	35-40 plus lump sum of 115-120	0-2.5 plus lump sum of 2.5-5	769	713	12

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, but no payments were made. 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, one Director General and the three non-executive Directors.

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, 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 2013-14 was £200,000-205,000 (2012-13: £200,000-205,000). This was 5.9 times (2012-13: 6.3) the median remuneration of the workforce, which was £33,900 (2012-13: £31,800). The reduction is due to the increase in pay bands at the median level. Based on the Permanent Secretary's banded remuneration the ratio is 4.7(2012-13: 5.0). In 2013-14 and 2012-13 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.

Sir Derek Jones KCB
Permanent Secretary and Principal Accounting Officer
22 July 2014

STATEMENT OF ACCOUNTING OFFICERS' RESPONSIBILITIES

- 1 Under Section 131 of the Government of Wales Act 2006, the Welsh Ministers are required to prepare the consolidated resource account for the Welsh Government for the year ended 31 March 2014 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 Chief Executive 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 Chief Executive 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

1. 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.
2. 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 a personal responsibility for the propriety, regularity, affordability and achievement of value for money of the public finances for which they are answerable.
3. The Welsh Government is a complex organisation. Led by the First Minister, its responsibilities cover a number of key areas of public life such as health, education and the environment. A wide range of internal controls are in place to ensure the sound stewardship of its resources. From my review of the effectiveness of the governance framework, which is discussed in more detail later in the statement, I am satisfied that risks are generally well managed and that our internal controls are continuing to improve.
4. 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.

Funding for Local Authorities

5. The Welsh Government provides the majority of the funding for local authorities in Wales, including unitary, fire and rescue, national park authorities and police and crime commissioners. 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 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.
6. 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.
7. In addition to the funding which authorities receive from the Welsh Government, they receive some hypothecated grants from UK Government Departments in relation to non-devolved matters. 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.
8. 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.
9. 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 Auditor General for Wales and they are scrutinised through the individual bodies' governance arrangements.
10. 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.
11. 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 Auditor General for Wales covering value for money as well as governance and capacity.

Funding for Health Bodies

12. 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.
13. Capital funding is provided to LHBs 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.
14. The Chief Executives of the LHBs and NHS Trusts are designated as Accountable Officers who must ensure that 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.
15. LHBs and Trusts have previously been 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. For the 2013-14 financial year, LHBs have a statutory obligation to ensure that their expenditure does not exceed their approved Resource Limit for that year. Following the introduction of the NHS Finance (Wales) Act, which came into effect on 1 April 2014, LHBs are required to obtain the approval of the Minister for Health and Social Services for their Integrated Medium Term Plans which show financial balance over a three year period and must then ensure that their net expenditure does not exceed their allocated funding in respect of each rolling three-year accounting period.
16. Monthly detailed financial information is received from the LHBs and Trusts detailing expenditure to date, forecast outturn for the year and identifying significant risks and issues. The information is accompanied by appropriate and relevant commentary explaining any necessary action being undertaken to address any significant variances. Progress against the Core Delivery performance targets is also reported either on a weekly or quarterly basis, depending on the type of indicator.
17. Regular meetings are held by the Chief Executive of NHS Wales 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

18. 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.
19. 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.
20. 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 2014-15. We are also in the process of updating *Managing Welsh Public Money* which sets out the main principles for dealing with resources in Welsh public sector organisations.
21. I chair the Board, made up of seven people at Director General (DG) level (six from October 2013), 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 from 2013-14 onwards the Director of Governance and Director of Legal Services are also members.
22. 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.
23. I 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. The Non Executive Directors also meet the First Minister twice a year to review the performance of the Permanent Secretary and the Board. During the period covered by these accounts and their signing, no Ministerial directions have been issued. Board membership details for the year are provided below

Board meeting attendees	Meetings attended
Permanent Secretary (Chair)	11/11
Gareth Jones (Director General, Sustainable Futures)	11/11
David Sissling (Director General, Department for Health and Social Services)	11/11
Owen Evans (Director General, Department for Education and Skills)	10/11
Michael Hearty (Director General, Finance and Corporate Services)	10/11
June Milligan (Director General, Local Government and Communities)	9/11
James Price (Director General, Economy, Science and Transport)	9/11
Bernard Galton (Director General, People, Places and Corporate Services until Sept 2013)	4/5
Directors – Formally became members at May 2013 meeting (attendance out of 10 meetings)	
Jeff Godfrey (Director, Legal Services)	10/10
David Richards (Director, Governance)	9/10
Non-Executive Directors	
James Turner	10/11
Elan Closs Stephens	9/11
Adrian Webb	9/11

24. 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 Principal Accounting Officer and, in particular, on 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.
25. 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.
26. The Board also establishes ad-hoc groups to deliver key corporate priorities.
27. The Operations Group was set up to ensure that 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.
28. 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

29. 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.
30. 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. This is currently being reviewed. 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 methodologies eg Managing Successful Programmes (MSP) and Projects in Controlled Environments (PRINCE). Project risk is assessed using the Cabinet Office's Gateway Risk Potential Assessment model and are reviewed on a regular basis by each project board.
31. 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.
32. To support my own review of the overall control environment, I require all Directors General/Directors within the Welsh Government to complete an internal control questionnaire and Statement of Assurance to provide me with an annual assessment of how effective their internal controls framework is operating within their department.

Developments to improve the Control Framework

33. 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.
34. 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.
35. Overall governance is through the Operations Group and the Board for oversight. In addition each Project has a Senior Responsible Officer and Project Board. 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 SROs.
36. A PPM Centre of Expertise was established at the beginning of 2013 to provide advice and support to improve PPM professionalism throughout the organisation and to increase excellence in the delivery of programmes and projects. The Centre of Expertise has established a Senior Responsible Officer network and re-launched the PPM Community of Practice. Training has also been developed as part of our Programme of Learning and a full suite of training courses are available to all levels from beginner through to expert. This training ensures we continue to improve our capability in PPM across the organisation.
37. Improvements in grants management remains a key priority for the Welsh Government, following a number of reports and concerns relating to grants management from the Auditor General for Wales and the Public Accounts Committee. We have responded to the concerns raised and issued our first annual report on grants management early in 2014 to demonstrate the improvements that have been, and continue to be implemented. The Grants Centre of Excellence team has continued its work on improving the management of grants across the Welsh Government and ensuring that suitable governance arrangements are put in place to deliver further improvements in grants management in the future. Minimum standards have been developed and implemented to help embed consistent and compliant practices across all grant funding schemes. These standards are underpinned and supplemented by detailed guidance covering all stages of the funding process. A range of face to face training courses have been developed and successfully rolled out across the Welsh Government. Further training will be developed to ensure that all key processes are covered. 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.
38. The Counter Fraud Branch has continued to maintain and develop our preventive capability, and awareness raising in relation to counter fraud work. This has included presentations in relation to the 'lessons learnt' from current fraud investigations, to some of the Welsh Government Corporate Governance Committee's and various departments.
39. Awareness raising in relation to counter fraud has continued with discussion and advice to many areas of Welsh Government on recognising fraud risk and taking appropriate action to eradicate or minimise that risk. Fraud

allegations made by whistle blowers have also raised staff awareness of counter fraud and the need to ensure our controls are robust and flexible.

40. The Head of Counter Fraud has established a fraud alerts system for public sector organisations in Wales; and a fraud and reporting telephone line and email line which is displayed on the main Welsh Government website. All of these new systems are already proving successful and beneficial to identifying potential frauds impacting upon the organisation.
41. Much of the work of the counter fraud branch has been investigating new referrals. This includes the increased number of fraud referrals, and the maintenance of ongoing investigations that are currently with the four Welsh Police Forces.
42. The Head of Counter Fraud has worked closely with Internal Audit and the Grants Centre of Excellence to ensure we continue to improve our due diligence and controls particularly in relation to grants; whilst also ensuring best practice in relation to governance, with the formation of a Good Governance Group for Welsh Government Sponsored Bodies and grant recipient bodies particularly in the third sector.
43. The Head of Counter Fraud participates in a number of external management steering groups to promote counter fraud across both the public and private sector in Wales. These include the Wales Fraud Forum, CIPFA Fraud Advisory Panel; the police lead Government Agency Intelligence Network (GAIN) and Business Crime Wales.
44. Our governance framework is being developed further to deal with significant devolution and policy developments which will have a major impact on the future governance of Wales within the UK. In particular, the Commission on Devolution in Wales, chaired by Paul Silk, has now produced two reports on the remodelling of the Welsh devolution settlement, and the report earlier this year from the Commission on Public Service Governance and Delivery, chaired by Sir Paul Williams, included an important set of recommendations on the governance of devolved public services.
45. The Welsh Government published its responses to these reports earlier this month, and the First Minister has established a Ministerial Task and Finish Group to oversee the development and delivery of reforms arising from these reports, which will be supported by action across all departments. The UK Government has introduced the Wales Bill, currently being considered by the UK Parliament, in respect to the first report from the Commission on Devolution in Wales on fiscal powers, and we have established specific governance arrangements to prepare for the tax and borrowing powers it would confer to the Welsh Government. I am confident that we are gearing up to meet these challenges successfully and seize the opportunities offered to secure better outcomes for people in Wales.

Review of Effectiveness

46. 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.
47. During 2014, the Welsh Government, with the endorsement of the Corporate Governance Committee, commenced an exercise to match information from multiple assurance sources to the Welsh Government's assurance requirements within an assurance map. The assurance map will enable me, with the support and advice of independent advisors, to form a judgement on whether the Welsh Government's assurance requirements have been met and to identify areas where additional assurance information needs to be obtained. The assurance map will provide me with a higher degree of confidence that the cumulative assurances available are sufficiently robust, comprehensive and reliable to meet the assurance requirements and enable me to confirm that the statements within the Governance Statement are accurate and evidence-based. The initial outputs indicate that whilst there are a small number of areas where assurance information needs to be improved, the overall assurance system is robust and reliable.
48. 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 Joint Acting Heads of Internal Audit submit regular reports to the Corporate Governance Committees on progress in implementing the plans. They also prepare an annual independent opinion on the adequacy and effectiveness of the system of internal control. I regularly meet with them to discuss the current activity and specific internal control issues.
49. Internal Audit Service continues to co-ordinate their work with that of the Wales Audit Office. Co-ordination of audit plans has progressed significantly this year with planned assignments and special investigations being successfully undertaken. An updated joint working protocol underpins the approach taken and quarterly liaison meetings are held to share information and agree joint assignments.

50. The opinion of the Joint Acting Heads of Internal Audit, set out in their 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*. They have provided a 'substantial assurance' opinion for each of the Directors General.
51. As detailed in the Annual Control Report and Opinion 2013, the European Funds Audit Team (EFAT) submitted an Unqualified Opinion on the four Structural Funds Operational Programmes in December 2013. The work of EFAT was reviewed by the European Commission (EC) auditors in 2013 to obtain assurance on the effective functioning of the Wales Audit Authority.
52. In December 2013, the EC provided notification of a temporary interruption of payments in respect of the West Wales and the Valleys and East Wales ERDF programmes. The payment interruption relates primarily to concerns about the adequacy of the sampling methodology used by EFAT and the level of assurance this provides to the European Commission regarding the effective functioning of the management and control systems for the programmes in question.
53. A consolidated draft audit report, incorporating recommendations from previous Commission audit visits as well as findings arising from the October visit, was published by the Commission on 21 January 2014. The Audit Authority has responded to this draft report and remains in regular dialogue with the Commission with the aim of resolving all the issues as soon as possible.
54. Based on its work over this reporting period, in the Chair's Annual Report for 2013-14, 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.
55. 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.
56. 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

57. 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.
58. Information risk continues to have a high priority throughout the Welsh Government featuring in departmental risk registers. We participate in the National Archives' Information Management Assessment programme with assessments carried out in 2007 and 2014. This process provides an independent assessment of how well the Welsh Government is managing information and mitigating any related risks. Having seen a draft, we expect a report of satisfactory or good performance on the oversight of records, selection for disposal and implementation of disposal decisions; generally satisfactory on information risk, governance and oversight; with a need for development on use of IT on the management of information as an asset.
59. Last year we saw an increase in the number of reported near-miss information losses. These are situations where information has accidentally been released but we have been fortunate enough to recover it. These range from staff losing information whilst out and about to posting/e-mailing sensitive personal information to the wrong recipient.
60. 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. We regularly assess the way that third parties handle our personal information using the HADRIAN online assessment tool. Information assurance clauses are now included as standard in requirement specifications.
61. Information risk continues to be supported by the Welsh Government's accreditation to ISO 27001 – the international standard for information security management. This provides assurances that the corporate IT system and associated security polices comply with the requirements of the standard and are aligned with recommended procedures. The Internal Compliance Programme for 2013-14, 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.

62. No protected personal data related incidents were formally reported to the Information Commissioner's Office (ICO) in 2013-14. Information relating to incidents not falling within the requirement to report to the ICO is given below.

Summary of Other Protected Personal Data related incidents in 2013-14		
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	0
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
IV	Unauthorised disclosure	0
V	Other	5

Significant Internal Control Issues

63. In previous years some specific internal control issues have been reported.
64. Good progress has been made in tackling the in-year improvement areas identified for Cadw in their 2013-14 governance improvement plan. There remain a number of areas that have been rolled forward into this financial year, including the effective budget management of capital expenditure and compliance with Welsh Government procurement procedures. The Chief Executive is addressing these issues as a priority and the newly appointed Chief Executive will ensure continuous improvement based on the work done to date.
65. Last year I reported on issues relating to the Welsh Government student loans book. The model used to forecast future cash flows and asset values has changed this year. A new model is also being worked on, however, these will need to be fully tested and adapted for Welsh policies before moving to a new model this financial year. The budgetary impact will be robustly checked to ensure that the required cover is sought from HM Treasury to cover any additional charges.
66. During the finalisation of the figures for the 2013-14 financial year, it was reported that some data inputting errors had occurred. This resulted in a shortfall of £25.6m in non-cash provision because the error was identified too late to bid for additional non-cash cover from Treasury. This has resulted in a breach of the Department for Education and Skills Ambit Resource Limit by £10.1m. This was an isolated administrative failure which does not give rise to any concerns about the underlying affordability of the student finance model. An investigation has been commissioned to ensure controls are strengthened to avoid a similar occurrence in future years.
67. The value for money study being undertaken by the Auditor General for Wales into the disposal of land assets by Regeneration Investment Fund for Wales (RIFW) continued throughout 2013-14. In October 2013, the Housing and Regeneration Minister announced that the investment activities of the Fund as currently constituted were being brought to a close. The moratorium on the Fund's investment activities remains in place and RIFW is now under the direct control of Welsh Ministers. The work now necessary to determine whether potential investment projects in the RIFW pipeline can be safeguarded is continuing. We continue to liaise closely with the WAO as they progress their study.
68. A number of significant concerns were raised last year 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. The Welsh Government responded formally to the subsequent PAC report in February 2014 and work is well advanced on implementing the agreed recommendations. Arrangements were put in place to support the Board over last summer and a new Chair and Chief Executive have been appointed. Other external support and Executive Board appointments have also been made. A follow-up to the original joint report was published earlier this month, and we continue to monitor the situation closely.
69. In relation to the NHS more generally, it was important for the Department for Health and Social Services to reflect on the lessons to be learnt from the Francis Review regarding the failings of care at Mid Staffordshire NHS Foundation Trust. The review acknowledged the additional burdens that face the health service and the need to ensure that there is a proper match between the quality of care and the budgets that support it. Consequently

and in recognition of general growing cost pressures, the Department was provided with additional funding of £200m during the year.

70. The Department has shown a balanced financial position against its overall allocated resources. However, within this position, three health boards have breached their resource limits and have consequently received a qualified regularity audit opinion from the Auditor General for Wales. The Department has been working closely with all NHS organisations to address their underlying financial pressures. Additionally, the Department has introduced a more robust planning framework integrating financial, delivery and workforce planning arrangements, accompanied by detailed guidance and instructions. This requires all NHS organisations to produce balanced three year integrated plans and underpins the new NHS Finance (Wales) Act which provides for a more flexible financial regime from April 2014.
71. Following a robust scrutiny process, which was quality assured by external independent assessors, the Minister for Health and Social Services has approved the integrated medium terms plans for three LHBs and one trust. The remaining health boards and trusts have concluded, for good reasons, that they are unable to submit robust integrated medium term plans at this point. Consequently they have submitted one year plans, with a view that they will work with the Welsh Government to agree key milestones for the ongoing development of their medium term plans over the course of the coming financial year.
72. Small levels of repayable brokerage funds have also been made available by the Department to two health boards.
73. Further improvements in the accountability and responsibility arrangements of health boards and NHS Trusts have taken place during the year. The Department has worked closely with the WAO and Health Care Inspectorate for Wales to establish a new escalation and intervention framework. This framework includes the action to be taken where delivery and performance is falling short of expectations.

Conclusion

74. The system of internal control has been in place in the organisation for the year ending 31 March 2014 and up to the date of approval of the Annual Report and Consolidated Accounts. It accords with HM Treasury guidance.
75. I have reviewed the evidence provided to me by my review of the effectiveness of the governance framework and am satisfied that the organisation has maintained a sound system of internal control during this time, that action is being taken to further improve our internal controls and where any weaknesses are identified, work is being undertaken to tackle them.

Sir Derek Jones KCB
Permanent Secretary and Principal Accounting Officer
22 July 2014

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 2014 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 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 that 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, then 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 2014 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 (pages 2-10) 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 2014

**Welsh Government
Summary of Resource Outturn
For the year ended 31 March 2014**

	Budget 2013-14	Outturn 2013-14	Outturn compared with Budget £000
	£000	£000	
	Net expenditure	Net expenditure	Variance
AMBIT			
Health and Social Services	5,432,630	5,405,748	26,882
Local Government	3,721,269	3,721,246	23
Communities and Tackling Poverty	203,091	195,758	7,333
Economy, Science and Transport	945,829	898,792	47,037
Education and Skills	2,372,495	2,382,632	(10,137)
Natural Resources and Food	388,796	381,607	7,189
Housing and Regeneration	399,978	398,647	1,331
Culture and Sport	136,834	136,480	354
Central Services and Administration	328,643	323,430	5,213
Total Resource and Capital requirements	13,929,565	13,844,340	85,225

In March 2013 the Welsh Government voted budgets were restructured to reflect new Ministerial portfolios. In the prior year the budgets were structured and voted as follows:

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

**Welsh Government
Net Cash Requirement 2013-14**

	2013-14	2012-13
	£000	£000
Authorised for issue from Welsh Consolidated Fund	13,397,293	12,694,152
Supplementary Budget	-	50,000
Funding drawn down	(13,392,938)	(12,694,152)
Undrawn funding	4,355	50,000

The Notes on pages 34 to 62 form part of these accounts.

Consolidated Statement of Comprehensive Net Expenditure
For the year ended 31 March 2014

	Note	Year ended 31 March 2014		Restated Year ended 31 March 2013	
		WG £000	Consolidated £000	WG £000	Consolidated £000
PROGRAMME COSTS					
Expenditure	6	14,712,495	14,899,155	13,929,258	14,235,753
Income					
Non EU Income	8	(1,093,889)	(1,350,184)	(1,110,760)	(1,354,048)
EU Income	8	(676,058)	(684,013)	(571,211)	(578,842)
		(1,769,947)	(2,034,197)	(1,681,971)	(1,932,890)
Net Programme Costs		12,942,548	12,864,958	12,247,287	12,302,863
ADMINISTRATION COSTS					
Staff Costs	4	207,245	239,767	189,322	223,140
Other Administration Costs	5	78,008	93,855	84,335	105,149
Gross Administration Costs		285,253	333,622	273,657	328,289
Administration Income		(827)	(827)	(1,083)	(1,085)
Net Administration Cost		284,426	332,795	272,574	327,204
NET OPERATING COST		13,226,974	13,197,753	12,519,861	12,630,067
OTHER COMPREHENSIVE EXPENDITURE					
Net gain on revaluation of Property, Plant and Equipment		(128,367)	(163,352)	(136,636)	(5,745)
Net gain on Available-for-sale investments taken to equity		-	(4,132)	-	(491)
Actuarial (gain)/ loss on pension		(20,180)	(39,962)	5,420	13,476
Total Comprehensive Net Expenditure		13,078,427	12,990,307	12,388,645	12,637,307

The Notes on pages 34 to 62 form part of these accounts.

Consolidated Statement of Financial Position as at 31 March 2014

		As at 31 March 2014 WG	As at 31 March 2014 Consolidated	As at 31 March 2013 WG	Restated As at 31 March 2013 Consolidated
	Note	£000	£000	£000	£000
Non-current assets:					
Property, plant and equipment	9	13,930,534	16,468,689	13,753,144	16,240,394
Intangible Assets	10	14,147	19,909	9,603	14,294
Financial assets	11	2,258,706	2,062,549	2,329,688	2,172,815
Trade and other receivables	15	-	62,248	-	41,799
Total non current assets		16,203,387	18,613,395	16,092,435	18,469,302
Current Assets:					
Assets classified as held for sale		-	5,243	-	5,817
Development Asset Inventories	13	199,342	199,452	151,384	151,494
Inventories	14	32,282	91,569	32,649	90,089
Trade and other receivables	15	244,785	351,993	198,705	303,207
Cash & cash equivalents	16	21,242	207,966	81,108	280,948
Total current assets		497,651	856,223	463,846	831,555
Total assets		16,701,038	19,469,618	16,556,281	19,300,857
Current liabilities:					
Trade and other payables	17	(675,880)	(1,232,832)	(857,234)	(1,430,002)
Non-current assets plus/less net current assets/liabilities		16,025,158	18,236,786	15,699,047	17,870,855
Non-current liabilities					
Provisions	18	(605,013)	(673,340)	(535,120)	(613,482)
Trade and other payables	17	(142,251)	(220,355)	(150,577)	(230,635)
Pension fund deficits	26	(72,900)	(87,939)	(92,570)	(125,784)
National Loans Fund	21	(11,554)	(11,554)	(11,613)	(11,613)
Other liabilities		-	(35,394)	-	(54,686)
Total non current liabilities		(831,718)	(1,028,582)	(789,880)	(1,036,200)
Total Assets less liabilities		15,193,440	17,208,204	14,909,167	16,834,655
Taxpayers' Equity & other Reserves					
General Fund		9,130,695	10,826,987	8,906,269	10,555,184
Revaluation Reserve		6,124,927	6,458,438	6,083,587	6,393,374
EU Deferred Grant Reserve		10,718	10,718	11,881	11,881
Pension Fund Reserve		(72,900)	(87,939)	(92,570)	(125,784)
Total equity		15,193,440	17,208,204	14,909,167	16,834,655

Sir Derek Jones KCB
 Permanent Secretary and Principal Accounting Officer
 Date: 22 July 2014

The Notes on pages 34 to 62 form part of these accounts

Consolidated Statement of Cash Flows for the year ended 31 March 2014

	Note	Year ended 31 March 2014		Restated Year ended 31 March 2013	
		WG	Consolidated	WG	Consolidated
Cash flows from operating activities					
Net operating cost		£000	£000	£000	£000
		(13,226,974)	(13,197,753)	(12,519,861)	(12,630,043)
Non – cash transactions:					
Administrative costs	5	16,031	16,604	17,349	18,002
Programme costs	6	626,355	884,538	299,736	697,689
Income payable to Welsh Consolidated Fund		(7,549)	(7,549)	(31,066)	(31,066)
Movements in working capital other than cash	12	(239,054)	(280,067)	(63,675)	(97,683)
Other adjustments via General Fund		1	1,248	44	(112)
Use of provisions	18	(80,890)	(170,007)	(68,972)	(146,504)
Net cash outflow from operating activities		(12,912,080)	(12,752,986)	(12,366,445)	(12,189,717)
Cash flows from investing activities					
Purchase of property, plant and equipment		(125,121)	(334,268)	(88,457)	(286,868)
Purchase of intangible assets		(4,141)	(6,884)	(2,361)	(3,861)
Proceeds of disposal of property, plant and equipment		4,440	19,454	2,121	11,860
Proceeds of disposal of development assets		11,752	11,752	9,304	13,804
Proceeds of disposal of financial assets		-	(22,452)	-	1,539
Proceeds of disposal of intangible assets		-	87	-	184
Purchase of development assets		(59,623)	(59,623)	(19,479)	(19,479)
Issue of loans and investments		(429,835)	(368,230)	(384,905)	(380,307)
Movement in bank loan		-	(14,600)	-	(15,700)
Repayment of loans		100,652	100,652	79,339	79,339
Interest received		-	26	-	113
Net cash outflow from investing activities		(501,876)	(674,086)	(404,438)	(599,376)
Cash flows from financing activities					
From Welsh Consolidated Fund (Supply) – current year		13,392,939	13,392,939	12,694,152	12,694,152
Capital element of payments for finance leases and on balance sheet PFI contracts		(8,056)	(8,056)	(7,796)	(7,796)
Net Cash Outflow/Inflow from Financing activities		13,384,883	13,384,883	12,686,356	12,686,356
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the WCF		(29,073)	(42,189)	(84,527)	(102,737)
Non operating receipts due to be surrendered to Welsh Consolidated Fund		(30,793)	(30,793)	17,980	17,980
Net increase/(decrease) in cash and cash equivalent in the period after adjustment for receipts and payments to the WCF	16	(59,866)	(72,982)	(66,547)	(84,757)
Cash and cash equivalents at the beginning of the period	16	81,108	280,948	147,655	365,705
Cash and cash equivalents at the end of the period	16	21,242	207,966	81,108	280,948

The Notes on pages 34 to 62 form part of these accounts

Consolidated Statement of changes on Taxpayers' Equity for the year ended 31 March 2014

Consolidated	General Fund	European Deferred Grant Reserve	Revaluation Reserve	Pension Fund Reserve	Total Reserves
	£000	£000	£000	£000	£000
Restated balance at 31 March 2012	10,556,245	13,044	6,403,599	(121,432)	16,851,456
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	(12,630,067)	-	-	-	(12,630,067)
<i>Non-cash adjustments</i>					
Net gain/(loss) on revaluation	491	-	5,745	-	6,236
Adjustments	46	-	-	-	46
Impairment	(2,139)	-	-	-	(2,139)
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)
<i>Movements in reserves</i>					
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	(9,685)	-	-	(4,352)	(14,037)
Restated balance at 31 March 2013	10,555,184	11,881	6,393,374	(125,784)	16,834,655
Welsh Consolidated fund – drawn down	13,392,939	-	-	-	13,392,939
Welsh Consolidated Fund - deemed	(7,417)	-	-	-	(7,417)
Net operating cost for the year	(13,197,753)	-	-	-	(13,197,753)
<i>Non-cash adjustments</i>					
Net gain/(loss) on revaluation of property, plant and equipment	(68)	-	163,578	-	163,510
Net gain/(loss) on revaluation of investments	4,132	-	-	-	4,132
Net gain/(loss) on assets held for sale	-	-	(158)	-	(158)
Impairment	1,156	-	-	-	1,156
Other adjustments to General Fund	-	-	(1)	-	(1)
Actuarial gain/(loss) on pension scheme	1,610	-	-	-	1,610
Student Loans non cash element	(21,526)	-	-	-	(21,526)
Consolidated Fund Extra Receipts	(25)	-	-	-	(25)
Loan repayments to Consolidated Fund	(107)	-	-	-	(107)
<i>Movements in reserves</i>					
Release of reserves to statement of Comprehensive Expenditure	-	(1,163)	-	-	(1,163)
Transfers between reserves	98,355	-	(98,355)	-	-
In year pension movement	507	-	-	37,845	38,352
Balance at 31 March 2014	10,826,987	10,718	6,458,438	(87,939)	17,208,204

The Notes on pages 34 to 62 form part of these accounts.

Consolidated Statement of changes in Taxpayers' Equity continued

Welsh Government 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)
Other adjustments	47	-	-	-	47
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
Welsh Consolidated fund – drawn down	13,392,939	-	-	-	13,392,939
Welsh Consolidated fund – to surrender	(7,417)	-	-	-	(7,417)
Net operating cost for the year	(13,226,974)	-	-	-	(13,226,974)
Non-cash adjustments					
Net gain/(loss) on revaluation of property, plant and equipment	-	-	128,367	-	128,367
Student Loans non cash element	(21,526)	-	-	-	(21,526)
Consolidated Fund Extra Receipts	(25)	-	-	-	(25)
Other adjustments	-	-	(1)	-	(1)
Loan repayments payable to Consolidated Fund	(107)	-	-	-	(107)
Movements in Reserves					
Release of reserves to Statement of Comprehensive Expenditure	-	(1,163)	-	-	(1,163)
Transfers between Reserves	87,026	-	(87,026)	-	-
In year pension movement	510	-	-	19,670	20,180
Balance at 31 March 2014	9,130,695	10,718	6,124,927	(72,900)	15,193,440

The Notes on pages 34 to 62 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 Welsh Government, the 7 Local Health Boards, Finance Wales PLC, Regeneration Investment Fund for Wales LLP, WG Holdco Ltd and Career Choices. These consolidated companies produce and publish their own annual reports and accounts. Subsidiary companies are consolidated from draft accounts, there being no material difference between draft and final accounts. In addition WGC Holdco Ltd accounts are prepared on a UK GAAP basis, there being no material difference between UK GAAP and IFRS. Newport Unlimited, Design Commission for Wales, Ryder Cup Wales 2010 Ltd, Hybu Cig Cymru – Meat Promotion Wales, Life Sciences Hub Wales Ltd, Sector Development Wales Partnership Ltd, Welsh Development Management Ltd 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 2013-14 were taken from the Investment Property Databank (IPD) UK Annual Index (2014).

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.

Information Technology and Fixtures and Fittings

Information technology and fixtures and fittings (which include vehicles, plant and equipment), 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.

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.

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
Fixtures & fittings	3 to 20 years

Freehold Land and Assets under construction are not depreciated.

Impairments of tangible fixed assets are charged to the Statement of Comprehensive Net Expenditure in the period in which they are occurred.

1.6 Donated Assets

Donated 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. The expenditure 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 Financial Assets

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. Other investments are shown at fair 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 Welsh Government recognises the repayment when the SLC has received the cash and updated the borrower record. For repayments collected via the tax system, this is recognised when the amounts which HMRC estimate as being due to the Welsh Government for the financial year. Student loans values are shown net of estimated future write-offs in respect of the non-recovery of loans.

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.

1.9 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.

1.10 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.

1.11 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 Finance and Corporate Services Department). 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.

1.12 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.

1.13 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

1.14 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 27. 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, current Finance Wales PLC staff and Career Choices staff participate in a number of Local Government Pension Schemes in Wales which are multi-employer funded schemes.

Welsh Government staff contributed to: the British Tourist Boards' Pension Scheme: 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; and 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. Information on this scheme can be found in the LHB Summarised Accounts.

1.15 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.

1.16 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.

1.17 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 2014, with an equal amount of debtor reflecting the value to be reimbursed by the European Commission.

1.18 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.

1.19 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.

1.20 Exchange Rate Gains and Losses

The Welsh European Funding Office, which is part of the Central Services Department 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.

1.21 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.

1.22 Provisions

Other 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.

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.

1.23 **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.

1.24 **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.

1.25 **Financial Instruments**

IFRS 7: requires the disclosure of information which allows the user to evaluate the significance of financial instruments on financial performance, 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.

Credit Risk

The Welsh Government's objective is full recovery of debt, which we actively pursue. 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 credit risk associated is deemed as minor. Provisions for doubtful debts are made once debts are over 6 months old.

The Welsh Government has a statutory obligation to issue student loans, and is not permitted to withhold loans on the basis of poor credit rating. Exposure to the risk of non-repayment of loans is managed and monitored, and the impact is accounted for via an annual impairment review.

Market Risk

Foreign Currency Risk - 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. Private sector mitigation options are not available. However, total funding received from the European Commission is managed to ensure the available funding is flexibly allocated to projects, enabling targeted expenditure levels to be met. Funding claims from the Commission are also prompt to limit delays between incurring expenditure and its reimbursement.

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.

2. Prior year adjustments

The 2012-13 consolidated figures as at 31 March 2013 have been restated for the inclusion of the accounts of Career Choices Dewis Gyrfa and WGC Holdco Ltd, and the exclusion of Ryder Cup Wales, Welsh Development Management Ltd and DCFW Ltd. The net effect is shown below:

	£000
Comprehensive net expenditure for the year ended 31 March 2013	12,624,728
Prior period adjustment	12,579
Restated comprehensive net expenditure for the year ended 31 March 2013	<u>12,637,307</u>
Reserves balance as at 31 March 2013 as previously reported	16,860,333
Prior period adjustment:-	
General Fund	5,314
Revaluation Reserve	172
Pension Reserve	<u>(31,164)</u>
Restated Reserves balance as at 31 March 2013	<u>16,834,655</u>

3a. Reconciliation of outturn to net operating cost

	Outturn 2013-14 £000	Outturn 2012-13 £000
Net resource outturn	13,844,340	13,060,089
Excess income surrender to WCF less Capital, Loans & adjustments	-	(30,923)
	(617,366)	(509,305)
Net operating cost	<u>13,226,974</u>	<u>12,519,861</u>

3b. Reconciliation of resources to cash requirement

	Budget 2013-14 £000	Outturn 2013-14 £000	Outturn compared with Budget £000	Outturn 2012-13 £000
Net resource outturn	13,929,565	13,844,340	85,225	13,060,089
Excess income surrender to WCF	-	-	-	(30,923)
Depreciation	(140,205)	(129,282)	(10,923)	(149,393)
Impairments	(45,960)	(17,453)	(28,507)	(36,474)
Student loans	(395,643)	(418,301)	22,658	(51,036)
Movements in provisions	(72,875)	(69,893)	(2,982)	(76,003)
Movements in working capital	122,411	197,894	(75,483)	33,133
Addition of amounts not part of resource outturn	-	39,505	(39,505)	14,249
Other	-	5,994	(5,994)	(2,943)
Net cash requirement	<u>13,397,293</u>	<u>13,452,804</u>	<u>(55,511)</u>	<u>12,760,699</u>

4. Staff Numbers and Costs

The average number of full-time equivalent persons employed (including senior management and special advisers) during the period is as follows:

	Permanently employed staff	Other staff	Special Advisers	Total 2013-14	Restated Total 2012-13
Total	71,165	1,227	7	72,399	72,295
Of which:					
Welsh Government	4,995	495	7	5,497	5,316
Local Health Boards	65,278	732	-	66,010	65,964
Subsidiaries	892	-	-	892	1,015

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	*Other Staff	Special Advisers	Year ended 31 March 2014 Total	Restated Year ended 31 March 2013 Total
	£000	£000	£000	£000	£000
Salaries	206,645	28,698	330	235,673	219,787
Social Security Costs	18,096	1,499	33	19,628	18,853
Other Pension Costs	38,856	3,997	68	42,921	38,371
Pension liabilities	4,458	-	-	4,458	3,588
Total	268,055	34,194	431	302,680	280,599
Less:					
Recoveries in Respect of Outward Secondments	(1,414)	-	-	(1,414)	(1,401)
Recharged to programme costs	(61,499)	-	-	(61,499)	(56,058)
Net administration staff costs	205,142	34,194	431	239,767	223,140
Of which: Core department	197,891	8,923	431	207,245	189,322

*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.

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 2013-14 or 2012-13.

For 2013-14 32 (2012-13:16) employees have left or agreed to leave on Voluntary Exit terms between 31 March 2013 and 31 March 2014. They will receive compensation payments totalling £1,593,171 (2012-13: £1,072,392).

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.

Exit package cost band	Total number of exit packages by cost band	Total number of exit packages by cost band
	2013-14	2012-13
<£10,000	3	1
£10,000 - £25,000	11	2
£25,000 - £50,000	5	3
£50,000 - £100,000	9	6
£100,000 - £150,000	3	3
£150,000 - £200,000	1	1
£200,000+	-	-
Total number of exit packages by type	32	16
Total resource cost £	1,593,171	1,072,392

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 2014		Restated Year ended 31 March 2013	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Goods and Services	51,049	65,914	55,753	75,531
Rentals under operating leases	4,408	4,408	4,509	4,509
Travel, subsistence and hospitality	5,001	5,273	4,512	4,774
Early retirement cost	443	443	1,221	1,221
Audit Fees	406	543	432	553
Relocation costs*	618	618	658	658
Loss/(Gain) on exchange rate	52	52	(99)	(99)
	61,977	77,251	66,986	87,147
Non Cash Items:				
Depreciation	6,881	7,016	8,045	8,216
Amortisation	3,186	3,186	3,268	3,268
Impairment of property, plant and equipment	5,415	5,415	7,176	7,270
(Gain)/loss on disposal of property, plant and equipment	-	(1,055)	(92)	943
(Gain)/loss from fair value of investments	3	1,761	12	(445)
Provisions	36	(59)	-	-
Pension finance*	510	340	(1,060)	(1,250)
	16,031	16,604	17,349	18,002
Total Other Administration Costs	78,008	93,855	84,335	105,149

* these costs are subject to UK taxation

6. Programme Costs

	Year ended 31 March 2014		Restated Year ended 31 March 2013	
	WG	Consolidated	WG	Consolidated
	£000	£000	£000	£000
<u>Programme expenditure:</u>				
Grants	13,004,858	7,291,776	12,670,458	6,948,011
Grant in aid to WGSB's	633,836	633,836	529,874	529,874
Goods and services (a)	367,682	3,189,464	354,164	3,213,753
Staff costs	61,499	2,860,986	56,058	2,807,297
Rentals under operating leases	5,214	25,504	5,917	26,078
PFI and other service concession arrangements service charges (b)	13,051	13,051	13,051	13,051
	14,086,140	14,014,617	13,629,522	13,538,064
Non-cash costs:				
Depreciation	50,207	176,069	68,826	191,324
Amortisation	616	2,221	616	2,357
Government granted assets	-	(3,901)	-	(107)
Donated assets	-	(107)	-	(6,810)
Impairment of property, plant and equipment	6,170	53,373	15,276	206,630
Impairment of development assets	4,373	4,373	11,494	11,494
Impairment of investments	1,492	1,492	2,514	2,514
Profit on disposal of development assets	(4,460)	(4,460)	(1,300)	(1,300)
(Profit)/loss on disposal of property, plant and equipment	72	(533)	5	(33)
Loss on disposal of stock	-	-	7,457	7,457
Investment diminution Finance Wales	-	9,274	-	13,372
Student loans non cash charges (c)	418,301	418,301	51,036	51,036
Increase/ (Decrease) in Provisions	150,747	229,891	144,975	221,231
Release of PFI deferred credits	-	(292)	-	(313)
Release of EU Grant	(1,163)	(1,163)	(1,163)	(1,163)
	626,355	884,538	299,736	697,689
	14,712,495	14,899,155	13,929,258	14,235,753

a. Includes £68,392,000 (2012-13: £68,638,000) classed as capital maintenance depreciation

b. Welsh government figures only

c. Student loans non-cash charges were adjusted by £350,131,000 following adoption of a new loan model, resulting in a write down of the loan book value.

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 2013-14 is £406,305 (2012-13: £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	2013-14 £	2012-13 £
NHS Summarised Accounts	39,558	39,750
National Non Domestic Rate Account	10,069	9,700
Whole of Government Account	39,375	40,000
Welsh Consolidated Fund	16,950	16,550

8. Programme Income

	Year ended 31 March 2014		Restated Year ended 31 March 2013	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Programme Income				
Non-EU Income:				
National Insurance health funding contribution	910,480	910,480	941,907	941,907
Housing Revenue Account	72,791	72,791	72,317	72,317
Student loans interest receivable	41,160	41,160	30,542	30,542
Health income	26,022	276,263	26,582	257,417
Property & investment income	27,508	27,508	24,665	30,712
Other	15,903	21,957	14,718	21,124
	1,093,864	1,350,159	1,110,731	1,354,019
Income outside the supply process				
Consolidated Fund Extra Receipts	25	25	29	29
	1,093,889	1,350,184	1,110,760	1,354,048
EU Income:				
Common Agricultural Policy	300,818	300,818	294,699	294,699
European Structural Funds Programmes	372,845	380,800	271,191	278,822
Other	2,395	2,395	5,321	5,321
	676,058	684,013	571,211	578,842
	1,769,947	2,034,197	1,681,971	1,932,890

9. Property, plant and equipment

	Network Assets	Land	Buildings excluding Dwellings	Dwellings	Information Technology	Fixtures and Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
Restated at 1 April 2013	15,677,093	386,445	1,932,370	48,597	163,157	541,582	314,587	19,063,831
Additions	-	899	22,992	713	10,149	41,166	253,449	329,368
Disposals	(102)	(6,440)	(9,646)	-	(6,913)	(32,855)	-	(55,956)
Impairments	(5,186)	(1,492)	(44,699)	(1,327)	(232)	(5,519)	(425)	(58,880)
Revaluations	168,229	901	38,845	987	-	-	-	208,962
Reclassifications	36,817	(3,061)	78,981	(492)	660	470	(136,325)	(22,950)
At 31 March 2014	15,876,851	377,252	2,018,843	48,478	166,821	544,844	431,286	19,464,375
Depreciation								
Restated at 1 April 2013	2,253,796	-	98,182	1,994	108,621	358,965	1,879	2,823,437
Charged in year	115,638	-	72,492	1,464	17,124	44,759	-	251,477
Disposals	(18)	-	(2,746)	-	(6,887)	(32,782)	-	(42,433)
Impairments	424	-	(909)	(146)	(137)	(49)	-	(817)
Revaluations	(22,071)	-	(902)	33	-	-	-	(22,940)
Reclassification	-	-	(12,616)	(335)	(49)	49	(87)	(13,038)
At 31 March 2014	2,347,769	-	153,501	3,010	118,672	370,942	1,792	2,995,686
Carrying amount at 31 March 2014	13,529,082	377,252	1,865,342	45,468	48,149	173,902	429,494	16,468,689
Carrying amount at 31 March 2013	13,423,297	386,445	1,834,188	46,603	54,536	182,617	312,708	16,240,394

	Network Assets	Land	Buildings excluding Dwellings	Dwellings	Information Technology	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Asset financing:								
Owned	13,142,482	366,197	1,763,880	43,298	48,149	171,298	429,494	15,964,798
Finance Leased	-	-	12,923	-	-	2,604	-	15,527
On-balance sheet PFI contracts	386,600	11,055	88,539	2,170	-	-	-	488,364
Carrying amount at 31 March 2014	13,529,082	377,252	1,865,342	45,468	48,149	173,902	429,494	16,468,689

9. Property, plant and equipment continued

	Network Assets	Land	Buildings excluding Dwellings	Dwellings	Information Technology	Fixtures and fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation								
Restated at 1 April 2012	15,490,621	402,599	2,351,373	57,762	154,122	539,770	365,082	19,361,329
Additions	309	638	35,209	152	17,704	37,116	201,866	292,994
Disposals	-	(583)	(4,087)	-	(8,963)	(29,318)	-	(42,951)
Transfers	(26,410)	-	-	-	-	-	5,024	(21,386)
Impairments	(10,484)	(10,482)	(135,245)	(623)	(4)	(6,422)	(9,079)	(172,339)
Revaluations	157,795	(1,641)	(490,850)	(8,156)	-	(248)	(47)	(343,147)
Reclassified to held for sale	-	(2,986)	(2,965)	(623)	(203)	-	-	(6,777)
Reclassifications	65,262	(1,100)	178,935	85	501	683	(248,259)	(3,893)
At 31 March 2013	15,677,093	386,445	1,932,370	48,597	163,157	541,581	314,587	19,063,830
Depreciation								
Restated at 1 April 2012	2,172,246	-	354,678	5,562	99,928	341,190	1,888	2,975,492
Charged in year	134,623	-	67,198	1,685	17,742	46,930	-	268,178
Disposals	-	-	(1,735)	-	(8,798)	(28,867)	-	(39,400)
Transfers	(3,748)	-	-	-	-	-	-	(3,748)
Impairments	3,704	-	37,983	(511)	-	(39)	(9)	41,128
Revaluations	(53,029)	-	(359,194)	(4,741)	-	(246)	-	(417,210)
Reclassified to held for sale	-	-	(757)	(1)	(187)	-	-	(945)
Reclassification	-	-	9	-	(64)	(4)	-	(59)
At 31 March 2013	2,253,796	-	98,182	1,994	108,621	358,964	1,879	2,823,436
Carrying amount at 31 March 2013	13,423,297	386,445	1,834,188	46,603	54,536	182,617	312,708	16,240,394
Carrying amount at 31 March 2012	13,318,375	402,599	1,996,695	52,200	54,194	198,580	363,194	16,385,837
	Network Assets	Land	Buildings excluding Dwellings	Dwellings	Information Technology	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Asset financing:								
Owned	13,087,565	375,390	1,733,881	44,419	54,536	181,760	312,708	15,790,259
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	386,445	1,834,188	46,603	54,536	182,617	312,708	16,240,394

9. Property, plant and equipment continued

Analysis of property, plant and equipment	Network Assets	Land	Buildings excluding Dwellings	Dwellings	Information Technology	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Core department at 31 March 2014	13,529,082	24,881	106,275	1,760	15,986	13,105	239,445	13,930,534
LHB's and subsidiaries at 31 March 2014	-	352,371	1,759,067	43,708	32,163	160,797	190,049	2,538,155
Core department at 31 March 2013	13,423,297	23,463	106,765	1,742	16,991	12,845	168,041	13,753,144
LHB's and subsidiaries at 31 March 2013	-	362,982	1,727,423	44,861	37,545	169,772	144,667	2,487,250

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 Economy, Science and Transport were valued on an annual basis by Jones Lang La Salle, Chartered Surveyors during 2013-14.
- 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 2013	34,457
Additions	6,904
Disposals	(259)
Revaluation	-
Reclassifications	4,205
At 31 March 2014	45,307
Amortisation	
At 1 April 2013	20,163
Charged in year	5,407
Disposals	(172)
Reclassification	
At 31 March 2014	25,398
Net Book Value at 31 March 2014	19,909
Net Book Value at 1 April 2013	14,294
Cost or valuation	
Restated at 1 April 2012	31,288
Additions	3,882
Disposals	(874)
Revaluation	21
Reclassifications	140
At 31 March 2013	34,457
Amortisation	
Restated 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
<u>Analysis of intangible assets</u>	
<u>Core at 31 March 2014</u>	14,147
<u>Core at 31 March 2013</u>	9,603

11 Financial Assets

	Student Loans £000	NHS Trusts Public Dividend Capital £000	Other Financial assets £000	Total £000
Restated balance at 31 March 2012	1,729,536	133,311	65,422	1,928,269
Additions	287,331	6,400	86,577	380,308
Loan repayments	(86,947)	(8,109)	(7,101)	(102,157)
Capitalised interest	30,592	-	-	30,592
Fair value adjustment	(51,036)	-	(13,161)	(64,197)
Balance at 31 March 2013	1,909,476	131,602	131,737	2,172,815
Additions	329,364	11,847	27,019	368,230
Loan repayments	(86,212)	(1,586)	(13,686)	(101,484)
Capitalised interest	41,160	-	-	41,160
Fair value adjustment	(68,172)	-	131	(68,041)
Changes in assumptions and modelling	(350,131)	-	-	(350,131)
Balance at 31 March 2014	1,775,485	141,863	145,201	2,062,549

Core at 31 March 2014: £2,258,706,000 (31 March 2013: £2,329,688)

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).

Students in Wales can apply for support with tuition fee and maintenance in the form of a loan. Students who study at a publicly-funded university or college can be charged a maximum of £9,000. A Tuition Fee Loan can be taken out to cover the first £3,685 of tuition fees, with a grant available to cover the rest. Loans are also available to assist with living costs. Interest is charged on loans from the first day the money is paid out until it is repaid in full. This interest rate is lower than market rates and is subsidised by the Welsh Government. Loans begin repayment once a student has left higher education and is earning a certain amount; for loans taken out in 2013-14 this is £21,000. Repayments are collected by HMRC through the tax system or direct by the Student Loans Company.

A statistical model is used to estimate the total value of the loans issues. This makes a number of assumptions including the amount of loans that will be taken out, the earnings levels of Welsh graduates, interest rates, when loans will start to be repaid, the amount of loans that will have to be written off (due to age, death or policies such as partial cancellation and repayment thresholds) and how much repayments made in the future are worth in today's money. As a substantial asset changes to the assumptions used in the modelling, for example interest and growth rate resulting from the general economic position, can have a large effect on the loan funding and the non-cash adjustments valuing the loan book.

The statistical model used has changed in the year resulting in a large one off adjustment to the value of the loans. This adjustment represents extra provision needed as over the past few years interest rate and earnings forecasts have been lower than expected. In addition, during the last quarter of 2013-14 an error was identified that created an additional write off of loans in year which resulted in a £25.6m over spend in non cash within DfES. The error occurred post the supplementary budget and, therefore, although there were underspends elsewhere within Welsh Government, a transfer was not actioned and hence DfES exceeded its departmental ambit by £10.1m. A lessons learned exercise has been undertaken to prevent a similar error occurring in future.

Other financial assets comprise: Welsh Government financial interests in joint ventures and investments; Invest to Save loans with Local Authorities; and, Available-for-Sale assets held by Finance Wales.

12. Movements in working capital other than cash

	Year ended		Restated	
	31 March 2014		Year ended	
	WG	Consolidated	WG	Consolidated
	£000	£000	£000	£000
Increase/(decrease) in inventories	47,591	49,438	(1,232)	(1,414)
Increase/(decrease) in receivables: non current	-	20,449	-	30,069
: current	46,080	47,888	35,300	(1,342)
(Increase)/decrease in payables: current	181,354	202,132	(25,739)	(6,445)
: non-current	8,326	10,280	8,056	11,292
Increase/(decrease) in other current assets	-	(4,064)	-	(47)
(Increase)/decrease in other liabilities	-	1	-	7,715
National Loans Fund	59	59	52	52
	283,410	326,183	16,437	39,880
Student Loans interest	41,160	41,160	30,543	30,543
Development assets movement	(47,958)	(47,958)	(3,781)	719
Adjustments for accrual movement fixed assets	1,291	(8,888)	2,838	(771)
Finance Wales – movement in loan provisions	-	4,862	-	5,780
Finance Wales - debtor	-	(21)	-	15
Adjustment for capital provision	-	(33)	-	1,703
Other investments held as current assets	-	4,143	-	(5,701)
PFI/Finance lease capital element	(8,056)	(8,056)	(7,796)	(7,796)
Medical stock write off	-	-	7,456	7,456
Other adjustment	-	(532)	(2)	7,875
Less movement in amounts payable to the Welsh Consolidated Fund and other non-operating cost balances	(30,793)	(30,793)	17,980	17,980
	239,054	280,067	63,675	97,683

13. Inventories - Development Assets

	As at		As at	
	31 March 2014		31 March 2013	
	WG	Consolidated	WG	Consolidated
	£000	£000	£000	£000
As at 1 April	151,384	151,494	147,603	152,213
Additions	59,623	59,623	19,479	19,479
Disposals	(7,292)	(7,292)	(8,004)	(12,504)
Transfers	-	-	3,800	3,800
Impairment on revaluation	(4,373)	(4,373)	(11,494)	(11,494)
As at 31 March	199,342	199,452	151,384	151,494

14. Inventories

	As at		As at	
	31 March 2014		31 March 2013	
	WG	Consolidated	WG	Consolidated
	£000	£000	£000	£000
Drugs	25,653	44,894	26,839	45,238
Telecommunication spares	4,207	4,207	4,147	4,147
Road salt	1,718	1,718	906	906
Other consumables	704	40,750	757	39,798
	32,282	91,569	32,649	90,089

15. Trade and other receivables

	31-Mar-2014		Restated 31-Mar-2013	
	WG	Consolidated	WG	Consolidated
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade receivables	108,304	191,945	90,030	170,847
Deposits & advances	76	76	76	76
Other tax	17,343	17,343	14,321	14,321
Prepayments and accrued income	118,799	142,366	94,147	117,832
Welsh Consolidated Fund	263	263	131	131
	244,785	351,993	198,705	303,207
Amounts falling due after more than one year:				
Prepayments	-	3,294	-	1,382
Other receivables	-	58,954	-	40,417
	-	62,248	-	41,799
Total trade receivables and other current assets	244,785	414,241	198,705	345,006

15.1 Intra-Government Balances

Consolidated figures only required	Amounts falling due within one year		Amounts falling due after more than one year	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	£000	£000	£000	£000
Amounts falling due within one year:				
Balances with other central government bodies	26,501	20,864	-	-
Balances with local authorities	16,311	19,566	-	-
Balances with NHS Trusts	14,750	11,026	-	-
Balances with public corporations and trading funds	-	-	-	-
Subtotal: intra-government balances	57,562	51,456	-	-
Balances with bodies external to government	294,431	251,751	62,248	41,799
Total Trade payables	351,993	303,207	62,248	41,799

16. Cash and cash equivalents

	WG As at 31 March 2014	Consolidated As at 31 March 2014	WG As at 31 March 2013	Restated Consolidated As at 31 March 2013
	£000	£000	£000	£000
Balance at 1 April	81,108	280,948	147,655	365,705
Net change in cash and cash equivalent balances	(59,866)	(72,982)	(66,547)	(84,757)
Balance at 31 March	21,242	207,966	81,108	280,948
The following balances were held at:				
Government Banking Service	19,810	61,964	75,434	140,340
Commercial banks & cash in hand	1,432	146,002	5,674	140,608
Total	21,242	207,966	81,108	280,948

17. Trade payables and other current liabilities

	As at 31-Mar-2014		Restated As at 31-Mar-2013	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Amounts falling due within one year:				
Other taxation and social security	5,310	61,225	5,156	61,737
Trade and other payables	432,979	679,972	531,217	794,227
Accruals & deferred income:				
European Union	40,094	40,094	103,971	103,971
Other accruals and deferred income	179,489	429,378	172,138	422,119
Amounts payable to the Welsh Consolidated Fund	9,682	9,682	36,697	36,697
Obligations under finance leases and PFI contracts	8,326	12,481	8,055	11,251
	675,880	1,232,832	857,234	1,430,002
Amounts falling due after more than one year				
Obligations under finance leases and PFI contracts	142,251	220,355	150,577	230,635
	142,251	220,355	150,577	230,635
Total trade payables and other current liabilities	818,131	1,453,187	1,007,811	1,660,637

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 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	£000	£000	£000	£000
Amounts falling due within one year:				
Balances with other central government bodies	10,359	17,669	-	-
Balances with local authorities	74,722	196,876	-	-
Balances with NHS Trusts	91,329	75,021	-	-
Balances with public corporations and trading funds	833	-	-	-
Subtotal: intra-government balances	177,243	289,566	-	-
Balances with bodies external to government	1,055,589	1,140,436	220,355	230,635
Total Trade payables	1,232,832	1,430,002	220,355	230,635

18. Provisions for liabilities and charges

	WG As at 31 March 2014	Consolidated As at 31 March 2014	WG Restated as at 31 March 2013	Consolidated Restated as at 31 March 2013
	£000	£000	£000	£000
Balance at 1 April	535,120	613,482	459,117	540,458
Provided in the year	150,783	342,972	146,727	356,877
Provisions not required written back	-	(112,342)	(1,752)	(136,458)
Borrowing costs	-	(364)	-	1,964
Transfer	-	(401)	-	(2,855)
Provisions utilised in year	(80,890)	(170,007)	(68,972)	(146,504)
Balance at 31 March	605,013	673,340	535,120	613,482

Analysis of expected timing of discounted flows

	WG As at 31 March 2014	Consolidated As at 31 March 2014	WG As at 31 March 2013	Consolidated As at 31 March 2013
	£000	£000	£000	£000
Not later than one year	91,937	234,762	239,856	268,289
Later than one year and not later than five years	172,174	215,879	143,858	176,620
Later than 5 years	340,902	222,699	151,406	168,573
Balance at 31 March	605,013	673,340	535,120	613,482

Provisions by type:

(i) Early retirement provision – balance at 31 March 2014: £702,000 (2012-13: £2,180,000)

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.,

(ii) Pension commitment provision – balance at 31 March 2014: £214,000 (2012-13: £246,000)

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 2014: £944,000 (2012-13: £944,000)

The Welsh Government has liabilities for the Astley case regarding redundancy payments to former subsidiary employees.

(iv) Broadband provision- balance at 31 March 2014; £4,541,000 (2012-13: £nil)

(v) Continuing Care provision – balance at 31 March 2014: £2,147,000 (2012-13: £7,527,000)

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.

(vi) Hepatitis C provision – balance at 31 March 2014: £2,307,000 (2012-13: £2,645,000)

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.

(vii) Electronic Staff Records provision – balance at 31 March 2014: £358,000 (2012-13: £547,000)

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

(viii) Welsh Risk Pool provision – balance at 31 March 2014: £593,800,000 (2012-13: £521,031,,000)

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

Consolidated Provisions

Details of the LHB provisions are provided in the LHB Summarised Account.

19. Capital and other commitments
19.1 Capital commitments

Contracted capital commitments not otherwise included within these financial statements

	31-Mar-2014		31-Mar-2013	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Property, plant and equipment				
Network Asset Construction	340,777	340,777	226,081	226,081
Buildings/dwellings	231,918	231,918	-	-
Local Health Boards	-	317,315	-	171,376
Development assets	2,200	2,200	3,735	3,735
	574,895	892,210	229,816	401,192

19.2 Commitments under leases

19.2.1 Commitments under operating leases

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

	31-Mar-2014		Restated 31-Mar-2013	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Land				
Not later than one year	8	8	9	9
Later than one year and not later than five years	32	32	37	37
Later than five years	283	283	316	316
	323	323	362	362
Buildings				
Not later than one year	6,734	23,460	8,495	23,461
Later than one year and not later than five years	23,436	57,722	27,699	57,469
Later than five years	54,914	88,775	67,582	101,412
	85,084	169,957	103,776	182,342
Other:				
Not later than one year	83	83	91	91
Later than one year and not later than five years	138	138	170	170
Later than five years	-	-	-	-
	221	221	261	261
	85,628	170,501	104,399	182,965

19.2.2 Commitments under finance leases

The Welsh Government was committed to making the following minimum lease payments on buildings:

	31 Mar 2014 £000	Restated 31 Mar 2013 £000
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	3,425	4,679
	9,695	10,949
Less interest element	(3,743)	(4,508)
Present value of obligations	5,952	6,441

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

19.2.3. Commitments under PFI contracts

Off-balance sheet

Bute Avenue PFI contract

The Welsh Government is committed to pay £5.1m annually, index linked, to the primary contractor associated with the Bute Avenue (PFI) project, until November 2025.. The private sector partner maintains for 25 years (from 2000/01) the Bute Avenue road network, After this time the road will be transferred to Cardiff County Council. The road is not an asset of the Welsh Government.

On balance sheet

A55 PFI contract

The A55 road network is maintained by contractors for a period of 30 years (from 1998), after which time the ownership of the A55 will revert to the Welsh Government. The road is treated as an asset of the Welsh Government and Unitary payments comprise of two elements – imputed finance lease charges and service charges.

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

	31 March 2014	31 March 2013
Welsh Government only	£000	£000
Not later than one year	17,000	17,000
Later than one year and not later than five years	81,000	76,000
Later than five years	166,000	188,000
	264,000	281,000
Less interest element	(35,568)	(39,956)
Present value of obligations	228,432	241,044

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

19.3 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 £13,051,438(2012-13: £13,050,625); and the payments to which the Welsh Government is committed, is as follows:

Welsh Government only	31 Mar 2014	31 Mar 2013
	£000	£000
Not later than one year	13,258	13,022
Later than one year and not later than five years	67,794	61,799
Later than five years	114,401	132,728
	195,453	207,549

19.4. 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-2014		Restated 31-Mar-2013	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Not later than one year	221,542	221,542	219,369	219,369
Later than one year and not later than five years	672,306	672,306	828,556	828,556
Later than five years	1,600	1,600	12,780	12,780
	895,448	895,448	1,060,705	1,060,705

The figures include commitments for: Arriva Trains Wales for the operation of the rail franchise: and provision of information technology services to the Welsh Government until 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.

19.4.1 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 2014 was £57 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.

Other:

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

20 Contingent Liabilities disclosed under IAS 37

	Year ended 31 March 2014		Restated Year ended 31 March 2013	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Legal Claims – alleged medical/ employer negligence	-	(92,181)	-	(86,423)
Potential contractual obligations under the WDA Act 1975	(10,000)	(10,000)	(17,000)	(17,000)
Other legal and contractual claims	(20,555)	(22,325)	(19,462)	(21,998)
	(30,555)	(124,506)	(36,462)	(125,421)

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

21 National Loans Fund

	£000
Balance at 1 April 2013	11,613
Repayments during year	(59)
Balance at 31 March 2014	11,554
Amounts falling due within 1 year	68
Amounts falling due between 1 and 5 years	393
Amounts falling due after 5 years	11,093
Total	11,554

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.

22. Losses and Special Payments

a) Losses (Excluding Local Health Boards)

	Year ended 31 March 2014			
	WG		Consolidated	
	No of Cases	£000	No of Cases	£000
Cash Losses	6	5	6	5
Claims Abandoned	125	1,614	125	1,614
Loss of accountable stores	4	1,214	4	1,214
Fruitless Payments	17	1	17	1
Special losses	4	47	4	47
	156	2,881	156	2,881

	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
	433	13,732	433	13,732

Special Payments (Excluding Local Health Boards)

	WG		Consolidated	
	No of Cases	£000	No of Cases	£000
Year ended 31 March 2014	4	47	4	47
Year ended 31 March 2013	10	24	10	24

Special payments for LHB's are held within the LHB summarised accounts

Details on losses that exceed £250,000:

Strategic drug stocks £1,150,674 Shelf life expired

23 Related Party Transactions

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

The Welsh Government funds its Welsh Local Authorities, NHS bodies in Wales, subsidiary companies and Sponsored Bodies. These bodies are regarded as related parties with which the Welsh Government has had various material transactions during the period. In addition, the Welsh Government has had a number of transactions with other government departments and central government bodies primarily, the Welsh Office, the Rural Payments Agency and the Department for Work and Pensions.

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 (who was 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. There were no transactions on this contract between April and June 2013. 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 £40,000 in 2013-14.

Sir Adrian Webb (non-executive director) is the Chair of Big Lottery Fund Wales which received funding in 2013-14 of £2,619,730 from Communities programmes.

Lesley Griffiths, (Minister for Local Government and Government Business) is Vice President of the Llangollen International Music Eisteddfod which received £15,216 in 2013-14. She is also a Patron of Friends of Pedal Power which received £41,831 in 2013-14.

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

24. 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 scheme has finished and a balance sheet position of €445,000 remains as at 31 March 2014.

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 €321,000 and expenditure of €332,000 was received and spent in 2013-14 on this project.

25. Results of related companies

Results of Consolidated wholly owned companies

Name of Interest	2013-14	2013-14	2012-13	2012-13
	Profit/ (Loss)	Share Capital & Reserves	Profit/ (Loss)	Share Capital & Reserves
	£	£	£	£
Finance Wales PLC (i)	(4,507,826)	122,894,777	(8,641,300)	135,360,667
Regeneration Investment Fund for Wales LLP	1,156,398	30,442,485	2,138,846	31,598,883
WGC Holdco Ltd (based on 13 month period)	Nil	55,182,000	Nil	Nil
Careers Choices Dewis Gyfra Ltd	548,797	(69,631,383)	(3,959,751)	(25,683,935)

(i) Investment of 12,500 ordinary £1 shares

(ii) At the time of signing these accounts, the accounts for WGC Holdco Ltd and Careers Choices Dewis Gyfra had not been fully audited and certified.

Associate Undertakings

The Welsh Government has an interest in the following associate undertakings; with no significant influence (these are included within Note 11 Financial Assets)

Name of Undertaking	Nature of Interest	Fair Value 2013-14	Fair Value 2012-13
	%	£	£
Welsh Industrial Partnership LLP (i)	49	10,000	7,750,000
Dragon 24 LLP (i)	50	3,794,413	4,900,000
Ely Bridge Development Company Ltd	(ii)	6,000,000	6,000,000

(i) In process of being dissolved

(ii) Minor interest in 'not for profit' company

Other minor subsidiaries and interests

The Welsh Government has a number of other minor subsidiaries for which no trading results are disclosed in these consolidated accounts. These include:-

- DCFW Ltd - Design Commission for Wales / Comisiwn Dylunio Cymru
- Ryder Cup Wales 2010 Ltd
- Hybu Cig Cymru / Meat Promotion Wales Ltd
- Sector Development Wales Partnership Ltd
- Life Sciences Hub Wales Ltd (not commenced trading as at 31st March 2014)
- Welsh Development Management Ltd
- International Business Wales
- Newport Unlimited (ceased trading)

Student Loans Company Ltd - one share with a nominal value of £1. Joint ownership is held with department of Business, Innovation and Skills, Scottish Government and Northern Ireland Government. The share gives the Welsh Government 5% holding in the company.

EADS Foundation Wales – a joint interest in a company limited by guarantee. Joint ownership is held with Cassidian Ltd and Cardiff University,

Local Health Board NHS Charities

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 2013-14 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 2013-14.

Statement of Financial Activities	2013-14	2012-13
	£000	£000
Total incoming resources	8,561	8,481
Total resources expended	(10,989)	(13,352)
Other recognised gains and losses	657	2,860
Net movement in funds	(1,771)	(2,011)

Balance Sheet	31 March 2014	31 March 2013
	£000	£000
Investments	33,569	33,516
Cash	3,847	5,143
Other Assets	3,025	2,929
<i>Total Assets</i>	40,441	41,588
Liabilities	(4,092)	(3,585)
<i>Total Net Assets</i>	36,349	38,003

26. 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 elected to retain membership of other public sector schemes. The material scheme disclosures are shown below.

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 2013-14, employers contributions of £35,553,532 were payable to the PCSPS (2012-13: £32,377,277) at one of four rates in the range 16.7 to 24.3 per cent (2012-13: 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 2013-14, 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 2013-14 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 £196,066 (2012-13: £175,959) 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 £14,082, 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 (2012-13: nil). Contributions prepaid at the date were £nil (2012-13: £nil).

5 individuals retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £36,309.

A small number of former Welsh Development Agency employees elected to retain their existing terms and conditions and pension arrangements. They participate 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. Details of Local Health Board Pensions are contained in their accounts.

Analysis of amount charged to income and expenditure

	Value as at 31 March 2014 £000	Restated Value as at 31 March 2013 £000
Fair value of assets	122,270	114,750
Present value of funded defined benefit obligation	(195,170)	(207,320)
Asset/(liability) recognised on statement of financial position	(72,900)	(92,570)
Other pension liabilities	(15,039)	(33,214)
	(87,939)	(125,784)