

**Welsh Government  
Llywodraeth Cymru  
Consolidated Accounts 2014-15**

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 2015, together with the Certificate and Report of the Auditor General for Wales thereon.

Laid before the Assembly on 10 September 2015 pursuant to the Government of Wales Act Section 131

**Consolidated Annual Report and Accounts 2014-15**



**Introduction from the Permanent Secretary**

2014-15 was a demanding year for the Welsh Government civil service with broad-ranging delivery challenges across the Programme for Government and a significant programme of legislation part-way through delivery. I am pleased to be able to present my third annual report and accounts knowing that the organisation made a considerable amount of progress on those delivery challenges during the year.

As I write, 20 Welsh Acts are now on the statute book. The scale of investment in time, energy and commitment that this legislation represents should not be underestimated. The organisation has had to develop a substantial amount of legislative capability over a very short time and it has often been a steep learning curve. It has had to build the capacity to support Ministers in creating new laws for Wales within a very constrained financial environment - and with no let-up in pressure across the Government's wider delivery commitments.

In terms of financial pressure, increasing responsibilities and the need to absorb new functions, means that in many ways 2014-15 has been just a taste of what is to come. With new Ministerial powers - including tax-raising, borrowing and rail franchising - new demands will be made on the organisation for skills and capability in challenging and complex areas of policy and administration.

What has become increasingly clear is that, while the organisation has done a good job of absorbing new areas of work while cutting costs over the past few years, the time has come for a more fundamental look at how the civil service works. In early 2015, I put in place the 'Preparing for the Future' programme to take a considered look at the way the organisation is structured, resourced and equipped to support the business of the Welsh Government, now and over the longer term.

One of the early outcomes from 'Preparing for the Future' is that, in 2015-16, the organisation will move from a senior structure of six Directors General to three equivalent roles, leading much larger delivery Groups. These larger Groups will allow resources to be aligned to emerging Cabinet priorities in a more agile and flexible way than has been possible in the past.

We are also focussing on a number of fundamental areas of civil service capability, including commercial governance, where I want to be absolutely sure that the Welsh Government gets the best possible value and outcomes from the half-a-billion a year it spends on goods and services. A work stream on leadership and capability will help develop leadership at all levels of the civil service; investing in the skills and capability needed for the next stage of devolution and public sector reform and helping make the organisation a fair and inclusive place to work for everyone – whatever their background.

Over the past year, I have made a personal commitment to champion fairness and inclusivity. The news that the organisation rose 161 places in the Stonewall rankings this year was a particularly welcome endorsement of the work of colleagues across the organisation and some vibrant and active staff networks. I am also very pleased to have learned recently that the organisation has achieved Silver status in its latest 'Investors in People' assessment – improving in 14 areas of evidence since the last assessment.

This has undoubtedly been a challenging year. But it has also been one of substantial achievement. The organisation has made significant progress on a programme of work designed to develop the civil service needed for the next stage of devolution although there is still much to do. I would like to thank all my colleagues for the commitment, professionalism and sheer hard work that has gone in to delivering the Programme for Government over the past year. I look forward to working with them in the year ahead.

**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 division of functions between the National Assembly for Wales (the legislature) and the Welsh Assembly Government (the executive). The Wales Act 2014 has since legally changed the name to the Welsh Government.

Led by the First Minister, the Welsh Government makes decisions and is responsible for 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; 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 is the Welsh Government's plan of action. It represents a commitment by Ministers collectively, 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 having on peoples' 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 final 2014/15 Annual Report, the First Minister said:

'It is a pleasure to present this, the final Programme for Government Annual Report for this Assembly term. It demonstrates a record the whole Welsh public sector can be proud of - a record of delivery for the people of Wales despite tough financial times.'

The Annual Report's summary progress report 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 the Welsh Government website.

## The Cabinet

Following the Cabinet reshuffle in July 2014 there were nine Cabinet Ministers, four Deputy Minister posts and the Counsel General:

Rt. Hon Carwyn Jones	First Minister
Jane Hutt	Minister for Finance
Edwina Hart MBE CStJ	Minister for Economy, Science and Transport
Huw Lewis	Minister for Education and Skills
Mark Drakeford	Minister for Health and Social Services
Carl Sargeant	Minister for Housing and Regeneration
Lesley Griffiths	Minister for Local Government and Government Business
John Griffiths	Minister for Natural Resources, Culture and Sport
Jeff Cuthbert	Minister for Communities and Tackling Poverty
Theodore Huckle	Counsel General
Gwenda Thomas	Deputy Minister for Social Services
Ken Skates	Deputy Minister for Skills and Technology
Vaughan Gething	Deputy Minister for Tackling Poverty
Rebecca Evans	Deputy Minister for Agriculture and Fisheries

Following the Cabinet reshuffle in September 2014 there were eight Ministers and four Deputy Minister posts, plus the Counsel General:

Rt. Hon Carwyn Jones	First Minister
Jane Hutt	Minister for Finance and Government Business
Huw Lewis	Minister for Education and Skills
Edwina Hart MBE CStJ	Minister for Economy, Science and Transport
Leighton Andrews	Minister for Public Services
Carl Sargeant	Minister for Natural Resources
Mark Drakeford	Minister for Health and Social Services
Lesley Griffiths	Minister for Communities and Tackling Poverty
Theodore Huckle	Counsel General
Vaughan Gething	Deputy Minister for Health
Julie James	Deputy Minister for Skills and Technology
Ken Skates	Deputy Minister for Culture, Sport and Tourism
Rebecca Evans	Deputy Minister for Farming and Food

More information on Ministerial responsibilities can be found in 'Welsh Government: A Quick Guide' which is available on our website.

### Board Membership

In 2014-15 the Board was made up of six people at Director General (DG) level - each leading major areas of Government responsibility in support of Ministers, the Director of Legal Services and the Director of Governance. The Board also included three Non Executive Directors who brought a wide range of experience and external scrutiny to its work.

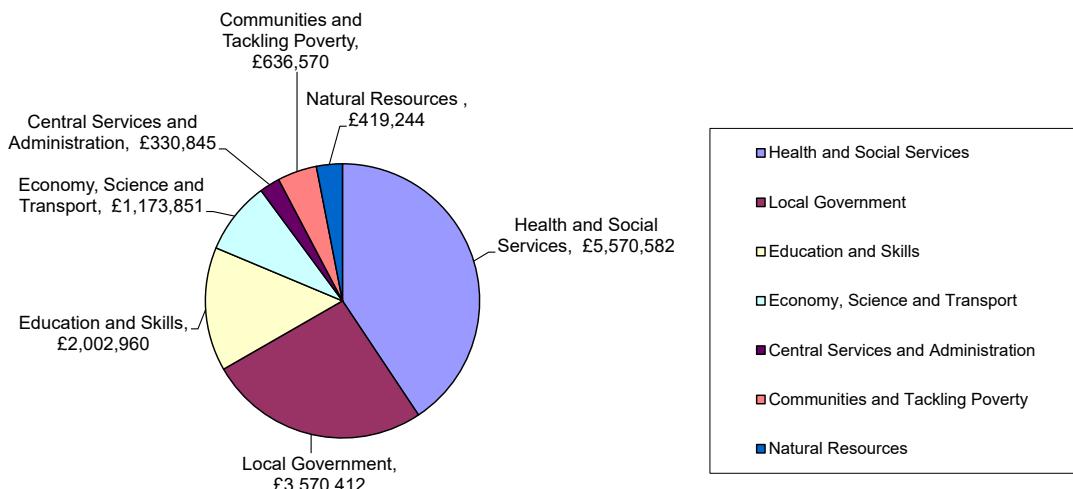
Board membership details for the year are provided below:

Sir Derek Jones KCB	Permanent Secretary
Owen Evans	DG Education & Skills
Michael Hearty	DG, Finance & Corporate Services
Gareth Jones OBE	DG, Natural Resources
Dr June Milligan	(Sustainable Futures pre-Cabinet changes)
James Price	DG, Local Government & Communities
Dr Andrew Goodall	DG, Economy, Science & Transport
Jeff Godfrey	DG, Health & Social Services (from 9 June 2014)
David Richards	Director, Legal Services
Professor Elan Closs Stephens CBE	Director, Governance
James Turner	Non-Executive Director
Professor Sir 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 2014-15. Spending was broken down across key areas of responsibility as shown in the pie chart below.

**Net Ambit Expenditure 2014-15 (£000)**



All activities are continuing for financial reporting purposes to 31 March 2015.

The outturn is £13.7bn (2013-14: £13.8bn) compared to the Final Budget of £13.9bn (2013-14: £13.9bn), resulting in an under-spend of £0.2bn (Page 27) which is 1.5% of the total budget. Resource and Capital budgets were within Treasury limits and have therefore been carried forward to 2015-16.

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

For Health and Social Services the under-spend of £86,898,000 related to timing differences between the NHS consumption of resource and the cash drawn.

Education and Skills had an under-spend of £38,028,000 which related to Student Loans model non-cash fair value estimates.

Local Government had an under-spend of £46,152,000 which related to annually managed expenditure (AME) budget from Treasury not required.

Central Services and Administration had an under-spend of £35,318,000 which related to lower than expected non-cash provisions.

The Welsh Government reviews performance and allocates resources according to the voted budget shown on Page 27. 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 2015 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 28) records net comprehensive expenditure of £11bn (2013-14: £13bn).

## **Non-current assets**

Property, plant and equipment additions in the period (Note 9) were £425m on an asset base of £18bn, for primarily Infrastructure assets and NHS Wales property portfolios.

Financial assets are predominantly the Student Loan book of £2bn out of the total £2.4bn.

## **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 chapter 1 of the Civil Service Management Code With terms and conditions and remuneration at chapters 5 and 7 respectively. Appointments relating to senior managers within the Local Health Boards and subsidiary companies are detailed in their individual accounts.

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.

## 'Preparing for the Future'

Maintaining a relentless focus on delivering the Cabinet's priorities against a backdrop of continued financial pressure, while also taking on new policy areas and functions, is a real challenge for the Welsh Government civil service. This year was, therefore, the right time to take a considered look at how the organisation is structured, resourced and equipped to carry out the business of supporting government now and over the medium-to-long term. Early in 2015, I put in place 'Preparing for the Future', a programme of business improvement so that we can be well placed to support Ministers and live within our budgets. The programme is focusing on how the organisation can become more agile, flexible and capable, as well as affordable.

The programme has specific work-streams and projects looking at resources and structures, flexible and productive working, shared services, leadership, management and capability, and commercial governance. Engagement and involvement with our staff is at the heart of the programme, and in March we held a series of workshops in our offices across Wales to share ideas and gather views. As a result more than 800 people have been involved in face-to-face events focusing on different aspects of the programme and work-streams. Responding to feedback to the 2014 staff survey on leadership and managing change, learning and development and our approach to equalities and valuing difference is also a key component of this work.

Much of the delivery of the programme will continue through the next financial year, but early outcomes include my decision to change the senior structure and to introduce a new operating model in time for the Autumn Assembly term. With the agreement of the First Minister, I have changed the senior management structure from one led by six Director General roles to one based on three equivalent roles leading significantly larger Groups. There will be substantial financial savings from this change, freeing up resources to redeploy to new priorities, as they emerge.

## How we work

The Welsh Government has a professional and skilled workforce located across Wales, close to the communities it serves. With the backdrop of ongoing financial challenges and the opportunities new powers and responsibilities present for the future, I am pleased that the organisation's employee engagement levels remained strong this year. The 2014 staff survey results show an engagement index of 63%, 4% above the UK civil service benchmark. Overall, performance improved in 22 out of 72 core questions compared to the previous survey with higher positive scores than the civil service benchmark for more than 90% of questions. 93% of colleagues say there are interested in their work, 90% say they are trusted to carry out their jobs effectively, and 87% feel the organisation is focused on supporting Ministers to deliver better outcomes for the people of Wales. A full breakdown of the results is available on the website: People Survey Results 2014.

Following the 2013 survey, a local approach was taken to action planning in response to the results and one of the greatest improvements in the survey this year was about taking action. This year, there was a 7% increase in the number of people who believe that, where they work, effective action was taken as a result of last year's survey. Heads of Division have again been tasked with holding planning sessions in their areas, involving their teams in discussing the results in-depth and developing tailored local actions. Actions are now being implemented.

Whilst 90% of Welsh Government staff believe that they have the skills to do their job, overall scores on learning and development declined slightly on last year. The theme score in this area was 56%, and although it remains 7% above the average for the civil service as a whole, it decreased by 3 percentage points since the previous survey. It is, therefore, an area of improvement that is being focused on as part of Preparing for the Future. A series of workshops have been held with colleagues across Wales to identify learning priorities for the organisation and a new planning tool has been developed to help meet the specific needs of staff and build capability in key areas. A number of new courses have been developed and work has been undertaken to make courses more accessible, including developing a range of e-learning packages. An online learning portal was launched in December 2014 bringing together the full range of learning opportunities in one place. The organisation continues to provide staff with 5 days of learning and development each year and has undertaken awareness raising activity to highlight the breadth of options available, including volunteering, shadowing and mentoring opportunities.

The organisation also has comprehensive support in place to ensure the **health, safety and well being** of staff at work. This year the organisation began implementation of the international Occupational Health and Safety standard 18001 across the organisation and some of the improvements this has made include enhancements to accident reporting systems and a new suite of generic risk assessments for staff to use.

Our occupational health support is well established and our sickness rates are below:

Welsh Government Sickness Absence	2014-15	2013-14	2012-13
Days Lost (short term)	20,631	19,156	19,844
Days Lost (long term)	23,161	19,534	19,120
Total Days Lost (12 month period)	43,792	38,690	38,964
Total staff years	5,519	5,453	5,293
Total staff employed in period (headcount)	6,134	6,097	5,965
Total staff employed in period with no absence (headcount)	2,500	2,625	2,448
% staff with no sick leave	41%	43%	41%
Average working days lost	7.9	7.1	7.4

**Reducing Complexity** in the way we work has continued to be central to organisational improvement and remains a priority for the coming year. This year's activity included, a 6 month behaviour change campaign designed to improve the way colleagues store, retrieve and manage email information. 98% of the organisation took action to improve the way they manage and store email records. As a result, the amount of email information stored in our Outlook mailboxes was reduced by 1.678TB (this equates to 54 million average size emails). This has helped ensure a better understanding across the organisation of the importance of saving email records in iShare (our records management system), resulting in a more robust approach to managing email information.

As part of the Reducing Complexity work, a number of steps have also been taken to improve the way advice is provided to Ministers, including a week long 'Policy Focus' in November, where more than 800 staff attended seminars and workshops. Following feedback received during the events, a revised programme of learning for policy professionals has been developed. A simplified approach for briefing Ministers has also been developed and a single advice template will be introduced this autumn.

From the end of May, paper payslips were replaced with a new online system, iPayView. All payslips and P60s are now available electronically which is more sustainable, provides greater information security for staff, and it is more convenient as individuals can log in at home to access the system at any time.

**Supporting equality and diversity** is a 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 the Programme for Government pages. The Welsh Ministers Report on Equality 2014 is also published on the website.

Internally, we already have a number of policies in place to promote equality, diversity and equal opportunities for all colleagues, but we will also be focusing on this aim in the leadership and capability strand of 'Preparing for the Future'. As part of that, I led a rapid solution event this summer giving all staff an opportunity to get involved in work to help make the organisation a fair and inclusive place to work.

During the last year staff networks have been revitalised and the LGBT network, PRISM has been particularly effective in supporting colleagues and raising awareness. This success has been recognised by Stonewall and the Welsh Government has moved up in the UK rankings from 195 to 34, placing the organisation at the 6<sup>th</sup> highest ranking employer in Wales. PRISM achieved highly commended in the 'Network Group of the Year' category. Whilst the organisation has clearly made some important steps forward, I am certainly not complacent. There is still a lot more to do and I will want to build on the progress made so far in the coming year.

The **Welsh Language**, and people being able to conduct their lives in the language of their choice, is an essential part of valuing diversity in Wales. In August 2014 the First Minister published a policy statement 'Bwrw Mlaen – Moving Forward' that builds on the foundations of the previous Welsh Language Strategy and sets the Welsh Government's strategy for the next three years. A summary of Welsh Government Policy and progress towards meeting the Cabinet's aims on Welsh Language can be found on the Programme for Government webpages. An annual report is on the website: Welsh Language Scheme annual report.

Within the organisation, we are preparing for the implementation of the new Welsh Language Standards that will be operational from 2016 and will place statutory requirements on the Welsh Government, in accordance with the Welsh Language (Wales) Measure 2011. The Welsh Language Standards will replace the existing Welsh Language Scheme and a programme of improvement across the organisation is in place, aiming for compliance with the standards by 2016.

The Welsh Government **Location Strategy** has enabled the organisation to reduce the number of administrative buildings from 75 to 33 during the period 2010-15, reducing costs, contributing to sustainability goals, and ensuring the organisation is dispersed across Wales. The strategy for the next five years has completed initial consultation with our Trade Unions and has subsequently been agreed by the Board.

The average number of full-time equivalent **Welsh Government staff members** during the 2014-15 financial year was 5,556. During this financial year the organisation ran a voluntary severance scheme and more details on this can be found on page 40-41 of the report. Tight controls on external recruitment are helping the organisation to manage its affordability both now and in the medium-to-long term.

The Welsh Government continues to place **sustainable development** as its central organising principle. The civil service is committed to taking organisational decisions in an integrated, joined-up way to achieve the Government's vision of a sustainable Wales.

An account of the 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 the website. For information on Ministerial aims and progress against them, visit the webpages. The Government's annual report on sustainable development is also available from our website: One Wales: One Planet, the Sustainable Development Annual Report 2013/14.

The organisation's commitment to sustainability includes how we manage the environmental impacts of its activities. For example, the Welsh Government has committed to achieve at least a 30% reduction in greenhouse gas emissions from its estate by 2020 (on a 2011 baseline). A range of environmental impacts are monitored and managed across the Administrative Estate. Details are published each autumn in the State of the Estate Report which contains a chapter on environmental performance against a number of key performance indicators.

Further details on greenhouse gas emissions, waste produced and water consumption on the Administrative Estate are shown below:

Greenhouse Gas Emissions		2010-11	2011-12	2012-13	2013-14	2014-15
Non-Financial Indicators ('000 tCO <sub>2</sub> e)	Total Gross Emissions	12.1	10.4	10.4	9.2	8.4
	Gross Emissions Scope 1 (Gas)	1.9	1.9	1.9	1.5	1.3
	Gross Emissions Scope 2 (Electricity)	10.2	8.8	8.5	7.7	7.1
Related Energy Consumption (GWk)	Electricity:	17.2	12.0	11.9	13.0	13.0
	Gas	10.0	8.6	10.2	8.4	7.1
Financial Indicators (£million)	Expenditure on Energy	2.18	2.01	2.3	2.3	2.1
	CRC Allowances (2012 onwards)	-	0.18	0.10	0.11	0.16
	Expenditure on official business travel	-	-	-	4.3	4.5

Waste		2010-11	2011-12	2012-13	2013-14	2014-15
Non-Financial Indicators (tonnes)	Total Waste (tonnes)	848	665	609	583	500
	Hazardous Waste	Total	-	1	1	Negligible
	Non-Hazardous Waste	Landfill	216	268	202	184
		Reused/Recycled	550	448	365	361
	Composted (food)	-	76	42	38	59

Water		2010-11	2011-12	2012-13	2013-14	2014-15
Non-Financial Indicators (cu.m/person/yr)		16	10	8	9.8	8.3

The organisation is **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 and also maintain a comprehensive log of responses we have issued to requests for information, including an annual report: Report on the Implementation of Open Government Legislation and Policies.

The organisation operates a **customer complaints procedure** which the Public Services Ombudsman for Wales has approved and urged all other public service providers in Wales to adopt within their organisations. Information relating to complaints about all public service providers is published by the Ombudsman in his Annual Report and the number of complaints about the organisation which led to an investigation is consistently low each year.

The Welsh Government is committed to treating suppliers and contractors fairly. Under the Late Payment of Commercial Debts (Interest) Act 1998, the organisation is 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 2015, records from across Welsh Government showed that 96% 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 2014-15

### *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](http://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](http://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. These costs are reflected in the accounts of the National Assembly for Wales Commission and not the Welsh Government. Ministerial salaries include their salaries and entitlements (including pension entitlements) as Assembly Members. Benefits in kind related to Assembly Members responsibilities are not included in the table below.

### Single total figure of remuneration

Ministers	Salary 2014-15 £	Salary 2013-14 £	Pension benefits (to nearest £1000) <sup>1</sup> 2014-15	Pension benefits (to nearest £1000) <sup>1,2</sup> 2013-14	Total (to nearest £1000) 2014-15	Total (to nearest £1000) 2013-14
Rt. Hon Carwyn Jones <i>First Minister</i>	132,427	132,427	46,000	40,000	178,000	172,000
Leighton Andrews <i>Welsh Minister (to 25/06/2013 then from 12/09/14)</i>	52,299	22,339	16,000	5,000	68,000	27,000
Edwina Hart MBE CStJ <i>Welsh Minister</i>	94,611	94,611	29,000	18,000	124,000	113,000
Lesley Griffiths <i>Welsh Minister</i>	94,611	94,611	34,000	30,000	129,000	125,000
Jane Hutt <i>Welsh Minister</i>	94,611	94,611	28,000	17,000	123,000	112,000
Carl Sargeant <i>Welsh Minister</i>	94,611	94,611	33,000	29,000	127,000	124,000
John Griffiths <i>Welsh Minister (to 11/09/14)</i>	42,312	94,611	14,000	27,000	56,000	122,000
Huw Lewis <i>Welsh Minister</i>	94,611	94,611	32,000	25,000	127,000	120,000
Mark Drakeford <i>Welsh Minister</i>	94,611	94,611	37,000	36,000	132,000	131,000
Theodore Huckle <i>Counsel General</i>	95,801	95,801	37,000	36,000	133,000	132,000
Alun Davies <i>Welsh Minister (to 08/07/14)</i>	25,687	94,611	10,000	33,000	36,000	128,000
Rebecca Evans <i>Deputy Welsh Minister (from 09/07/14)</i>	57,907	-	26,000	-	84,000	-
Julie James <i>Deputy Welsh Minister (from 12/09/14)</i>	43,940	-	17,000	-	61,000	-
Jeff Cuthbert <i>Deputy Welsh Minister (to 25/06/2013) then Welsh Minister (from 26/06/2013 to 11/09/14)</i>	42,312	91,040	15,000	29,000	57,000	120,000
Vaughan Gething <i>Deputy Welsh Minister (from 01/07/2013)</i>	79,489	59,618	29,000	20,000	108,000	80,000
Ken Skates <i>Deputy Welsh Minister (from 01/07/2013)</i>	79,489	59,617	26,000	20,000	105,000	80,000
Gwenda Thomas <i>Deputy Welsh Minister (to 11/09/14)</i>	35,549	78,263	10,000	17,000	46,000	95,000

<sup>1</sup> Pension benefits are calculated on a formula basis which can create year on year variations

<sup>2</sup> Where applicable the 2013-14 figures have been restated for the revaluation of the deferred Office Holder element of pension which had been previously omitted.

Ministers	Accrued Pension at pension age as at 31/03/15 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31/03/15 £000	CETV at 31/03/14 £000 <sup>2</sup>	Real increase in CETV £000
Rt. Hon Carwyn Jones <i>First Minister</i>	40-45	2.5-5	499	445	22
Leighton Andrews <i>Welsh Minister</i>	35-40	0-2.5	546	526	11
Edwina Hart MBE CStJ <i>Welsh Minister</i>	40-45	0-2.5	622	570	20
Lesley Griffiths <i>Welsh Minister</i>	20-25	0-2.5	306	264	22
Jane Hutt <i>Welsh Minister</i>	40-45	0-2.5	815	789	26
Carl Sargeant <i>Welsh Minister</i>	20-25	0-2.5	254	221	15
John Griffiths <i>Welsh Minister</i>	25-30	0-2.5	400	384	10
Huw Lewis <i>Welsh Minister</i>	25-30	0-2.5	383	342	17
Mark Drakeford <i>Welsh Minister</i>	5-10	0-2.5	132	90	29
Theodore Huckle <i>Counsel General</i>	5-10	0-2.5	122	87	21
Alun Davies <i>Welsh Minister</i>	10-15	0-2.5	155	147	5
Jeff Cuthbert <i>Welsh Minister</i>	15-20	0-2.5	328	317	14
Rebecca Evans <i>Welsh Minister</i>	5-10	0-2.5	60	38	2
Julie James <i>Welsh Minister</i>	5-10	0-2.5	93	74	12
Vaughan Gething <i>Deputy Welsh Minister</i>	10-15	0-2.5	133	110	10
Ken Skates <i>Deputy Welsh Minister</i>	5-10	0-2.5	47	31	9
Gwenda Thomas <i>Deputy Welsh Minister</i>	20-25	0-2.5	313	302	7

#### Single total figure of remuneration

The Financial Reporting Manual (FReM) requires that all central Government Departments include a Single Total Figure of Remuneration along with a prior year comparative 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.

**Single total figure of remuneration – Board members of the Welsh Government**

<b>Officials:</b>	Salary 2014-15	Salary 2013-14	Pension benefits (to nearest £1000) <sup>3</sup> 2014-15	Pension benefits (to nearest £1000) <sup>3</sup> 2013-14	Total (to nearest £1000) 2014-15	Total (to nearest £1000) 2013-14
	£000	£000	£000	£000	£000	£000
Sir Derek Jones KCB <i>Permanent Secretary</i>	160-165	155-160	30-35	85-90	195-200	245-250
David Richards <i>Director of Governance</i> (from 23/05/13)	95-100	85-90 (full year equivalent 95-100)	30-35	-	130-135	85-90
Andrew Goodall <sup>1</sup> <i>Director General</i> (from 08/06/2014)	160-165 (full year equivalent 195-200)	-	50-55	-	210-215	-
Owen Evans <i>Director General</i>	130-135	130-135	50-55	50-55	180-185	180-185
June Milligan <i>Director General</i>	130-135	130-135	35-40	50-55	170-175	185-190
James Price <i>Director General</i>	130-135	130-135	25-30	25-30	160-165	160-165
Michael Hearty <sup>2</sup> <i>Director General</i>	140-145	145-150	30-35	65-70	165-170	215-220
Gareth Jones <i>Director General</i>	130-135	130-135	30-35	75-80	165-170	205-210
Jeff Godfrey <i>Director Legal Services</i> (from 23/05/13)	105-110	90-95 (full year equivalent 105-110)	10-15	15-20	115-120	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>	15-20	10-15	-	-	10-15	10-15
Band of Highest Paid Director's Total Remuneration (£'000)	195-200	200-205				
Median Total Remuneration (£)	33,900	33,900				
Ratio	5.9	5.9				

<sup>1</sup> Andrew Goodall is seconded from Aneurin Bevan University Health Board, and he replaced David Sissling who left on 31/03/14.

<sup>2</sup> Michael Hearty's salary includes £nil (2013-14: £9,268) of taxable relocation allowances under the relocation policy.

<sup>3</sup>The 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.

Officials	Accrued Pension at pension age as at 31/03/15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/15	CETV at 31/03/14	Real increase in CETV
	£000	£000	£000	£000	£000
Sir Derek Jones KCB <i>Permanent Secretary</i>	75-80 plus lump sum of 225-230	1.5-2 plus lump sum of 5-7.5	1,700	1,665	34
David Richards <i>Director Governance</i>	45-50 plus lump sum of 140-145	0-2.5 plus lump sum of 2.5-5	1,092	1,010	32
Andrew Goodall <i>Director General</i>	40-45 plus lump sum of 120-125	-	629	-	-
Owen Evans <i>Director General</i>	10-15	2.5-5	140	103	20
June Milligan <i>Director General</i>	55-60 plus lump sum of 170-175	0-2.5 plus lump sum of 5-7.5	1,130	1,046	33
James Price <i>Director General</i>	35-40	0-2.5	432	393	11
Michael Hearty <i>Director General</i>	50-55 plus lump sum of 160-165	0-2.5 plus lump sum of 5-7.5	1,090	1,010	28
Gareth Jones <i>Director General</i>	55-60 plus lump sum of 175-180	0-2.5 plus lump sum of 5-7.5	1,253	1,165	30
Jeff Godfrey <i>Director Legal Services</i>	40-45 plus lump sum of 120-125	0-2.5 plus lump sum of 2.5-5	818	769	10

### 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 2014-15 was £195,000-200,000 (2013-14: £200,000-205,000). This was 5.9 times (2013-14: 5.9) the median remuneration of the workforce, which was £33,900 (2013-14: £33,900). The reduction is due to the change of personnel for the highest paid director. Based on the Permanent Secretary's banded remuneration the ratio is 4.8(2013-14: 4.7). In 2014-15 and 2013-14 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 applied 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 uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

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

The remuneration statement was resigned by the Permanent Secretary following the receipt of revised data from the National Assembly for Wales Commission.

**Sir Derek Jones KCB**  
**Permanent Secretary and Principal Accounting Officer**  
**7 September 2015**

## 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 2015 in accordance with directions given to it by HM 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 2014-15

### 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 have been supported by 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 provide for the sound stewardship of its resources. From my review of the effectiveness of the governance framework, I am satisfied that risks have been 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 for each sponsored body.

### Funding for Local Authorities

5. The Welsh Government provides grant funding for local authorities in Wales, which include unitary, fire and rescue, and national park authorities, and police and crime commissioners. The largest single component of grant funding is the Revenue Support Grant paid to unitary authorities. It may be used for any purpose these authorities choose in delivering the services for which they are responsible.
6. The Revenue Support Grant is distributed on the basis of a formula which reflects the factors that drive authorities' need to spend to deliver a wide range of services, including education and social care. The Welsh Government also provides funding to authorities in the form of grants that can only be used for the specific purposes for which they are provided.
7. In addition to the grant funding which unitary authorities receive from the Welsh Government, they receive some specific grants from UK Government Departments for non-devolved functions. They also receive income from nationally-set non-domestic rates, which is pooled and redistributed by the Welsh Government, from locally-set council tax; and from fees, charges and other income. Local authorities receive further grants from the Welsh Government for capital spending, which is supplemented by their own borrowing, based on a prudent assessment of their finances using professional codes of practice. Similar arrangements apply to the provision for police and crime commissioners, who are funded through a mix of Revenue Support Grant, redistributed non-domestic rates from the Welsh Government and Police Grant from the Home Office, from specific grants and council tax. Other authorities are funded through arrangements such as levies and precepts. In each case, the authority is accountable for how it uses the funding in delivering the functions for which it is responsible.
8. 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. In accordance with the Public Audit Wales Act 2013, there is a full audit of these accounts by the Auditor General for Wales and they are scrutinised through each local authorities' governance arrangements. In addition, some specific grants will have additional specific audit arrangements in place to provide the grant provider with assurances around the use of that funding in line with the terms and conditions set for the grant.
9. 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, including the establishment of an internal audit function. Councils are held to account by their scrutiny functions 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 matters.

## Funding for Health Bodies

10. 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. Funding is also provided to cover the costs of payments to independent contractors (including GPs, General Dental Practitioners and Pharmacists). Additional targeted funding is added to the core allocation and used to support the achievement of Welsh Government objectives. Capital funding is provided to LHBs to support the All Wales Capital Programme and other Welsh Government discretionary capital funding is also provided to support locally identified priorities.
11. 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.
12. The NHS Finance (Wales) Act 2014 and associated NHS Wales Planning Framework signalled a new medium-term approach to planning, requiring health boards and NHS trusts to set out how resources will be used over a three year period to: address areas of population health need and improve health outcomes; improve the quality of care; and ensure best value from resources. When assessing whether an LHB has met its set "resource limit", the Auditor General will compare the expenditure of the LHB over the 3 year period to the aggregated resource limit for the 3 year period.
13. For the 2014-15 financial year, three LHBs (Abertawe Bro Morganwg, Cardiff & Vale and Cwm Taf) met their statutory duty to have an approved integrated medium term plan in place. One NHS trust (Velindre) met its administrative duty to have an approved integrated medium term plan in place. The remaining four LHBs (Aneurin Bevan, Betsi Cadwaladr, Hywel Dda and Powys) and two NHS trusts (Public Health Wales and Welsh Ambulance Services) operated an annual plan for the 2014-15 financial year.
14. Monitoring and oversight is achieved through the review of monthly detailed financial information that is received from the LHBs and Trusts accompanied by appropriate and relevant commentaries. Progress against performance targets is also reported either on a weekly or quarterly basis, depending on the type of indicator. Regular meetings are held by the Chief Executive of NHS Wales and his officials with LHB and Trust officials to consider all aspects of reported performance, including the identification of critical risks and issues.

## The Governance Framework

15. 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 obtained.
16. 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. Therefore, it can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Welsh Government's policies, aims and objectives, to evaluate the likelihood and impact of those risks being realised and then to manage them efficiently, effectively and economically. This framework has been developed to comply with good governance and is supported by *Managing Welsh Public Money* which sets out the principles for dealing with resources in Welsh public sector organisations.
17. I chaired the Board throughout the year, consisting of the Director of Governance, the Director of Legal Services, three Non-executive Directors and six Directors General (DGs) each leading major areas of Government responsibility in support of Ministers. The DGs portfolios of responsibilities altered significantly part-way through the year as a consequence of the Cabinet reshuffle. The implementation of an improved protocol to deal with such "machinery of government" changes facilitated an effective realignment of portfolios and I am grateful to the DGs for their contribution to the smooth transfer of responsibilities.
18. The Board has met monthly, to set strategic direction and monitor whether the organisation is performing effectively. The Board has taken particular responsibility for assessing and mitigating the highest level corporate risks, supporting me in my role as Principal Accounting Officer. In the course of the next year, I will be relying on the Board to help me drive the delivery of a new programme, "Preparing for the Future", which I have established to deliver the capabilities and capacity that are needed to meet the future challenges associated with the devolution of more powers and, thereby, more functions to the Welsh Government, during a time of exceptionally tight public finances.
19. I met regularly with Board members bilaterally and with the non-executive Directors collectively on a monthly basis. The First Minister attended a Board meeting in the year (January 2015) providing a further opportunity for challenge. The non-executive Directors also met the First Minister to review the performance of the Permanent Secretary and the Board.
20. Board Membership details for the year are provided below:

Board Members	Meetings Attended (of 10 held)
Derek Jones, Permanent Secretary	10
Owen Evans, DG Education & Skills	9
Andrew Goodall, DG, Health & Social Services (from 9 June 2014)	8*
Michael Hearty, DG, Finance & Corporate Services	9
Gareth Jones, DG, Natural Resources (Sustainable Futures pre-Cabinet changes)	10
June Milligan, DG, Local Government & Communities	10
James Price, DG, Economy, Science & Transport	10**
David Richards, Director, Governance	8***
Jeff Godfrey, Director, Legal Services	7
Elan Closs Stephens, Non-Executive Director	9
James Turner, Non-Executive Director	9
Adrian Webb, Non-Executive Director	10

\* Started in post in June 2014 – Board member for 8 meetings only

\*\* Attended for part of the meeting in February 2015

\*\*\* Attended for part of the meeting in September 2014

21. The Board has two standing sub-committees to deal with key aspects of organisational business and also establishes ad-hoc groups to deliver key corporate priorities. The two standing sub-committees are:
  - The Corporate Governance Sub-Committee, which has advised me in my capacity as Principal Accounting Officer on my responsibilities for risk management, audit, internal controls and corporate governance. This sub-committee was chaired by a Non-Executive Director and attended by me.
  - The Remuneration Sub-Committee, which has been responsible for Senior Civil Service (SCS) pay and conditions, senior succession planning and recruitment, and all SCS personal cases. The sub-committee was chaired by a Non-Executive Director and attended by me.
22. Due to the major, top-down reconfiguration of the internal organisation of the Welsh Government (as part of "Preparing for the Future"), it was not considered appropriate or possible to conduct an in-depth, qualitative self-assessment of the Board's effectiveness for the year. However, the Board commissioned a "light-touch" board effectiveness assessment which confirmed that it had operated in line with best practice. Once the new Board structure has been fully embedded, I intend to commission a more in-depth self-assessment for 2015-16.
23. Below the Board, the Operations Group has ensured that the Board's strategic decisions are managed on a day-to-day basis across the organisation. The Group was chaired at Director level on a fixed term basis and included senior representatives from every Director General area to so that action was taken in a joined-up manner to improve the way we operate. In terms of operations, levels of sickness absence were a particular concern during 2014-15. Consequently, I asked the SCS to address the management of sickness absence fairly but robustly, to deliver continued improvement into the future.
24. My accountability requires me to ensure that public money is expended in a manner consistent with the principles of regularity, propriety and value for money. If I, or my officials, are directed to undertake a course of action that, in our opinion, does not meet this standard, I am expected to advise the relevant Minister and then to seek their formal direction to continue on that course of action. During the period covered by these accounts and their signing, no Ministerial Directions have been required or issued.

#### The Risk and Control Framework

25. 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.
26. I have continued 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. The Welsh Government should not be unduly risk averse and, in pursuit of its objectives, must be prepared to take risks which have been properly assessed, evaluated and managed to encourage more effective exploitation of opportunities as they arise, whilst accepting that some failures might occur. Consequently, the Board has been reconsidering its approach to risk identification and the way it records its risk considerations, so that discussion of risk by the Board has remained dynamic and relevant.
27. Our approach to risk management is set out in our framework document, "Risk Essentials". Under this framework, risks are identified, evaluated and managed at a number of different levels:
  - a. The Board has been responsible for managing corporate risks which might have prevented or hindered the organisation from achieving its strategic objectives. The corporate risk register was reviewed on a quarterly basis by the Board taking into account the views of the Corporate Governance Committee.

- b. Each Director General/Director was responsible for managing the departmental risks which may have prevented or hindered them from achieving their objectives and outcomes. Departmental risks were reviewed regularly by senior management teams and by departments' own Corporate Governance Committees and underpinned by lower level risk registers.
- c. 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). Risk is assessed using the Cabinet Office's Gateway Risk Potential Assessment model and is reviewed on a regular basis by each project/programme board.
- d. The Welsh Government uses the "five case model" to manage projects effectively and mitigate the risks around their delivery.

28. Our awareness and management of risk is embedded in policymaking, planning and delivery. Training has been available on risk management for all staff and on project management for programme and project managers. Particular emphasis was on the management of risk in respect of grants funding and a number of staff attended training to better understand these risks in the course of the year.

29. To support my own review of the overall control environment, I required the Directors General within the Welsh Government to complete an internal control questionnaire and Statement of Assurance to provide me with their assessment of the effectiveness of their department's internal controls frameworks. In particular this year, I asked the Directors General to provide me with an additional assurance in respect of their assessment of the reliability and robustness of the analytical models on which they rely to make critical business decisions. I have been assured that the analytical models used by the Welsh Government are sound and are subject to adequate validation and review.

30. Investments in organisational improvement have been 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. The Team 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.

31. Governance for this work has been exercised through the Operations Group with the Board providing oversight. In addition, each Project has had a Senior Responsible Officer (SRO) and Project Board. An overview of portfolio resourcing, progress, risks and benefits was provided to the Operations Group on a monthly basis. The Operations Group scrutinised the business cases for new projects seeking portfolio funding and regularly took detailed project progress reports from individual project SROs.

32. The Programme & Project (PPM) Management Centre of Expertise has provided 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 an SRO network and PPM Community of Practice. Training has also been provided as part of our Programme of Learning; a full suite of training courses has been utilised for levels from beginner through to expert to support our aim to improve PPM capability across the organisation.

33. The Grants Centre of Excellence continued to provide advice to grant managers across the Welsh Government. Significant effort has been invested in improving internal processes and the Centre of Excellence provided consistent and practical support to grant managers through a range of training, guidance and templates that have been developed and are available for officials to use, as well as minimum standards. Management reporting has been improved so that we now have the ability to share key information across the Welsh Government. Awareness of the key issues has also improved. We have sought to achieve a balance so that appropriate measures are in place to mitigate the risks associated with grant funding while avoiding unmanageable systems which are difficult to operate and burdensome to all; considerable further progress has been made towards this aim.

34. The Counter Fraud Branch maintained our preventive and awareness capability in relation to the risk of fraud. This year, the emphasis for training and awareness was on teams processing grants, in particular those managing European funding. 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.

35. The Head of Counter Fraud maintains a fraud alerts system for public sector organisations in Wales and a fraud and reporting telephone line and email line are in place; both are displayed on the main Welsh Government website. These systems have been beneficial in identifying potential frauds impacting upon the organisation.

36. The Head of Counter Fraud worked closely with Internal Audit and the Grants Centre of Excellence so that we continue to improve our due diligence and controls, particularly in relation to grants. His network of contacts was maintained with other fraud investigators and counter-fraud forums in Wales.

37. We maintained a Whistleblowing Panel so that all cases of internal whistle-blowing were addressed properly and appropriate action taken, as necessary, to deal with the issues raised. We have also maintained a separate External Assurance Panel to deal with issues brought to our attention by persons outside the Welsh Government. Mostly, these have related to how Welsh Government funds have been handled by our delivery partners and by beneficiaries

to our various grant schemes. The issues raised are not, exclusively, fraud-related but the Head of Counter-Fraud has been involved, in the investigation of external assurance concerns in particular, so that a consistent, proportionate and appropriate approach has been applied to concerns that both Panels have considered.

38. The Good Governance Group for Welsh Government Sponsored Bodies and major third sector recipient bodies continued to meet on a periodic basis, providing a forum for the identification of good practice in governance and for the sharing of practical experiences and lessons learned.
39. Our governance framework has continues to evolve in order to address significant devolution and policy developments which will have a major impact on the future governance of Wales within the UK. In particular, Welsh Government has been working on the implementation of the recommendations contained in the two reports by the Commission on Devolution in Wales, chaired by Sir Paul Silk, and the report of the Commission on Public Service Governance and Delivery, chaired by Sir Paul Williams, whilst also responding to emerging devolution matters arising from the outcome of the Scottish Referendum and the "St David's Day" Statement.
40. In September, more than 60 world leaders attended the NATO Summit in Wales. This was the first NATO summit since 2012 and the first to be held in the United Kingdom since NATO leaders came to London in 1990. For much of the year the Summit was recognised as a corporate-level risk due to its impact on the Welsh Government on a number of levels, including emergency preparedness, planning, logistics and staff deployment. With significant demands on resources to support the delivery of what is regarded to be an extremely successful event this demonstrated the effectiveness of our risk management approach and capability to deal with major logistical challenges.
41. In previous years I have reported on issues concerning the Welsh Government student loans book. I am pleased to report this year that management actions to strengthen controls have continued to mitigate the risks associated with this, which the Board continues to monitor to ensure an adequate management response.

#### **Review of Effectiveness**

42. 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 Internal Audit and those Welsh Government officials with responsibility for the development and maintenance of the internal control framework. I also take assurance from management responses to issues identified by the External Auditor in his 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.
43. The Welsh Government has an Internal Audit Service, which operates to standards defined in the Public Sector Internal Audit Standards. It undertook a full programme of work based on an analysis of the major risks facing the organisation. The Head of Internal Audit submitted regular reports to the Corporate Governance Committee on progress in implementing this audit plan, and I met regularly with her through the year to discuss this.
44. The Head of Internal Audit, in her Annual Assurance report, has provided me with "reasonable assurance" on the operation of the framework of governance, control and risk management. This was supported by the provision of reasonable assurances by each of the Directors General in respect of their Departments.
45. The Internal Audit Service co-ordinates its 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. A joint working protocol underpins the approach taken and quarterly liaison meetings have been held to share information and agree joint assignments.
46. The Welsh Government's European Funds Audit Team (EFAT) submitted an "Unqualified Opinion" on the four Structural Funds Operational Programmes in December 2014 in their Annual Control Report and Opinion for that year. This report has since been reviewed and accepted by European Commission auditors.
47. Based on its work over this reporting period, in the Chair's Annual Report for 2014-15, the Corporate Governance Committee was able to provide substantial assurance on the adequacy of audit arrangements for the Welsh Government, and on the assurances provided to the Principal Accounting Officer in respect of the governance, risk management and control arrangements operated within the organisation.
48. In addition to the main Corporate Governance Committee, all parts of the organisation are covered by a Departmental Corporate Governance Committee. All Corporate Governance Committee's have met regularly to advise the Accounting Officer and Director Generals throughout the year. I am satisfied that these committees operated in an effective manner and provided good support to both myself and the Director Generals in the monitoring and review of risk, control and governance processes.
49. 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

50. As Principal Accounting Officer, I am responsible for ensuring that appropriate arrangements are in place to comply with the core set of mandatory minimum measures to protect information in Government Departments, which require me to assess our risk and ensure appropriate mitigation strategies are in place. Information risk continues to have a high priority throughout the Welsh Government featuring in departmental risk registers.
51. 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 the third party 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 included as standard in requirement specifications.
52. The Welsh Government has maintained its accreditation to ISO 27001, the international standard for information security management. This provides assurances that the corporate IT system and associated security policies comply with the requirements of the standard and are aligned with recommended procedures. The Internal Compliance Programme for 2014-5 and external accreditation inspections both concluded that the Welsh Government has robust processes in place and has met its commitments under the standard.
53. With respect to data loss incidents, there have been no incidents reported to the ICO. Incidents not falling within the requirement to report to the ICO were:

<b>Summary of Other Protected Personal Data related incidents in 2014-15</b>		
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	6
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	18
V	Other	0

## Significant Internal Control Issues

54. The Wales Audit Office has undertaken two significant un-planned reviews in the year, one of which, on Regeneration Investment Fund for Wales has been concluded and reported upon recently, and the other will be completed shortly. These raise some common themes that the Welsh Government needs to address in relation to those bodies operating at "arms-length" on its behalf, to deliver specific objectives and outcomes. The need has been identified to better understand the whole range of governance arrangements that operate between the Welsh Government and its subsidiary entities, in particular, those operating with the greatest autonomy or at greater distance from their sponsoring Departments.
55. The greatest challenges arise within those organisations operating as, or in partnership with, commercial organisations, where the application of the normal public service ethos and principles becomes more complex, and where conflicts of interest become more difficult to define and manage effectively. In the course of the next year, we will be looking critically at the models for good governance that are in place for such arms-length bodies to confirm that they are fit for purpose and that we are exercising the right oversight over their activities.
56. In his Annual Governance Statement to support the NHS Wales Summarised Accounts of the Local Health Boards and NHS Trusts, the Director General for the Department for Health and Social Services, in his role as NHS Chief Executive, has set out the assurances he has received from Internal and External Auditors and from Health Board and NHS Trust Accounting Officers in respect of the governance framework for the summarised accounts. In his section on Significant Issues, the Director General has made reference to the NHS Wales organisations that were placed on escalated monitoring arrangements in the course of the year being: Betsi Cadwaladr University Health Board; Abertawe Bro Morganwg University Health Board; Cardiff and Vale University Health Board; Hywel Dda University Health Board; and the Welsh Ambulance Services NHS Trust.
57. The Welsh Government has seen an increase in the number of cases under review by its Counter Fraud Service, some of which are long-standing investigations while some are new referrals. However, this is considered to be a positive sign that our External Assurances protocols are working effectively and also that the efforts to improve grant management and raise the general level of fraud risk awareness across the Welsh Government are being successful. This has stretched the resources of the Counter Fraud Service and I have looked to related functions, mainly Internal Audit, to supplement these resources, both in the year and into the future. Resources will need to be focused effectively on those cases with the greatest potential for successful prosecution, with the ongoing aim of seeking recovery of public funds whenever possible.
58. Nevertheless, I am not complacent about the need to continue the ongoing improvement of controls and for the continued training, awareness and vigilance of staff. The Welsh Government is also conscious of the need for good

standards of governance, including fraud risk management, in the organisations with which it works and through which public services are delivered. Officials continue to work with our external partners to raise standards of practice in order to safeguard public money, for example, through the Good Governance Group.

59. Towards the end of the last financial year, the European Commission (EC) informed the Welsh Government that payments to Wales were being suspended in respect of ERDF structural funds due to failings in the audit work performed by the European Funding Audit Team (EFAT) in respect of 2013. The EC was satisfied with the quality of the audits performed, but was critical of the sampling methodology used by EFAT and of the number of audits performed. Despite this interruption, the Welsh Government was able to continue making payments to all its delivery partners by utilising its own cash resources whilst the audit issues were resolved. In addition, the rates of error in both ESF and ERDF structural funds that were identified by EFAT audits exceeded the level of materiality allowed by the EC and EC auditors, themselves, identified some systemic issues in ESF controls operated by WEFO. Wales was not alone amongst EC Member States in being subject to interruption during this time. However, Wales has been notable in achieving early resolution of the audit and control issues in a satisfactory manner, early in 2015, so that the interruption has been lifted and payments have recommenced to Wales in respect of its ERDF and ESF programmes.

## **CONCLUSION**

60. The system of internal control has been in place in the organisation for the year ending 31 March 2015 and up to the date of approval of the Annual Report and Consolidated Accounts. It accords with HM Treasury guidance.
61. I have considered the evidence provided to me by my review of the effectiveness of the governance framework. I 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 that weaknesses are being addressed where they have been identified.

**Sir Derek Jones KCB**  
**Permanent Secretary and Principal Accounting Officer**  
**18 August 2015**

### **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 for the year ended 31 March 2015 under the Government of Wales Act 2006. These comprise the Summary of Resource Outturn, Consolidated Statement of Comprehensive Net Expenditure, 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 Financial Reporting Council's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

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

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I read all the financial and non-financial information in Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

#### **Opinion on Financial Statements**

In my opinion the financial statements:

- give a true and fair view of the state of the Welsh Government and Group's affairs as at 31 March 2015 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's 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 to 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;
- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
- 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  
8 September 2015

Wales Audit Office  
24 Cathedral Road  
Cardiff  
CF11 9LJ

*The maintenance and integrity of the Welsh Government's website is the responsibility of the Principal Accounting Officer; the work carried out by Auditors does not involve consideration of these matters and accordingly auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.*

**Welsh Government**  
**Summary of Resource Outturn**  
**For the year ended 31 March 2015**

	Budget 2014-15	Outturn 2014-15	Outturn compared with Budget
	£000	£000	£000
	Net expenditure	Net expenditure	Variance
<b>AMBIT</b>			
Health and Social Services	5,657,480	5,570,582	86,898
Local Government	3,616,564	3,570,412	46,152
Education and Skills	2,040,988	2,002,960	38,028
Economy, Science and Transport	1,182,168	1,173,851	8,317
Communities and Tackling Poverty	636,948	636,570	378
Natural Resources	419,855	419,244	611
Central Services and Administration	366,163	330,845	35,318
<b>Total Resource and Capital requirements</b>	<b>13,920,166</b>	<b>13,704,464</b>	<b>215,702</b>

During the year there were a number of changes to Welsh Government voted budgets to reflect new Ministerial portfolios. In the prior year the budgets were structured and voted as in the table below.

	Budget 2013-14	Outturn 2013-14	Outturn compared with Budget
	£000	£000	£000
	Net expenditure	Net expenditure	Variance
<b>AMBIT</b>			
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
<b>Total Resource and Capital requirements</b>	<b>13,929,565</b>	<b>13,844,340</b>	<b>85,225</b>

**Welsh Government**  
**Net Cash Requirement 2014-15**

	2014-15	2013-14
	£000	£000
Authorised for issue from Welsh Consolidated Fund	13,570,532	13,397,293
Funding drawn down	(13,430,393)	(13,392,938)
<b>Undrawn funding</b>	<b>140,139</b>	<b>4,355</b>

The Notes on pages 33 to 61 form part of these accounts.

**Consolidated Statement of Comprehensive Net Expenditure**  
**For the year ended 31 March 2015**

	Note	Year ended 31 March 2015		Restated Year ended 31 March 2014	
		WG £000	Consolidated £000	WG £000	Consolidated £000
<b>PROGRAMME COSTS</b>					
Expenditure	6	<b>14,541,831</b>	<b>14,691,567</b>	14,712,495	14,899,155
Income:					
Non EU Income	8	(1,190,616)	(1,459,696)	(1,093,889)	(1,350,157)
EU Income	8	(636,730)	(649,722)	(676,058)	(684,013)
<b>Net Programme Costs</b>		<b>(1,827,346)</b>	<b>(2,109,418)</b>	(1,769,947)	(2,034,170)
		<b>12,714,485</b>	<b>12,582,149</b>	12,942,548	12,864,985
<b>ADMINISTRATION COSTS</b>					
Staff Costs	4	<b>214,456</b>	<b>249,204</b>	207,245	239,750
Other Administration Costs	5	<b>74,572</b>	<b>84,796</b>	78,008	93,250
<b>Gross Administration Costs</b>		<b>289,028</b>	<b>334,000</b>	285,253	333,000
Administration Income		(1,098)	(1,110)	(827)	(827)
<b>Net Administration Cost</b>		<b>287,930</b>	<b>332,890</b>	284,426	332,173
<b>NET OPERATING COST</b>		<b>13,002,415</b>	<b>12,915,039</b>	13,226,974	13,197,158
<b>OTHER COMPREHENSIVE EXPENDITURE</b>					
Net (gain)/loss on revaluation of Property, Plant and Equipment		(1,682,692)	(1,730,126)	(128,367)	(163,352)
Net gain/(loss) on Available-for-sale investments taken to equity		-	(1,245)	-	(4,132)
Actuarial (gain)/ loss on pension		4,810	17,723	(20,180)	(39,962)
<b>Total Comprehensive Net Expenditure</b>		<b>11,324,533</b>	<b>11,201,391</b>	13,078,427	12,989,712

The Notes on pages 33 to 61 form part of these accounts.

**Consolidated Statement of Financial Position as at 31 March 2015**

		As at 31 March 2015 WG	As at 31 March 2015 Consolidated	As at 31 March 2014 WG	Restated As at 31 March 2014 Consolidated
<b>Non-current assets:</b>	Note				
Property, plant and equipment	9	<b>15,644,830</b>	<b>18,374,146</b>	13,930,534	16,468,686
Intangible Assets	10	<b>10,354</b>	<b>20,176</b>	14,147	20,385
Financial assets	11	<b>2,632,400</b>	<b>2,365,084</b>	2,258,706	2,062,549
Trade and other receivables	15	-	<b>92,747</b>	-	62,248
<b>Total non current assets</b>		<b>18,287,584</b>	<b>20,852,153</b>	16,203,387	18,613,868
<b>Current Assets:</b>					
Assets classified as held for sale		-	<b>2,455</b>	-	5,242
Development Asset Inventories	13	<b>186,160</b>	<b>186,270</b>	199,342	199,452
Inventories	14	<b>30,117</b>	<b>88,947</b>	32,282	91,569
Trade and other receivables	15	<b>257,952</b>	<b>399,111</b>	244,785	351,993
Cash & cash equivalents	16	<b>212,812</b>	<b>399,431</b>	21,242	207,967
<b>Total current assets</b>		<b>687,041</b>	<b>1,076,214</b>	497,651	856,223
<b>Total assets</b>		<b>18,974,625</b>	<b>21,928,367</b>	16,701,038	19,470,091
<b>Current liabilities:</b>					
Trade and other payables	17	<b>(891,309)</b>	<b>(1,523,247)</b>	(675,880)	(1,232,710)
Non-current assets plus/less net current assets/liabilities		<b>18,083,316</b>	<b>20,405,120</b>	16,025,158	18,237,381
<b>Non-current liabilities</b>					
Provisions	18	<b>(707,407)</b>	<b>(764,275)</b>	(605,013)	(673,340)
Trade and other payables	17	<b>(133,642)</b>	<b>(211,968)</b>	(142,251)	(220,355)
Pension fund deficits	26	<b>(75,750)</b>	<b>(103,977)</b>	(72,900)	(87,939)
National Loans Fund	21	<b>(11,485)</b>	<b>(11,485)</b>	(11,554)	(11,554)
Other liabilities		-	<b>(19,600)</b>	-	(35,394)
<b>Total non current liabilities</b>		<b>(928,284)</b>	<b>(1,111,305)</b>	(831,718)	(1,028,582)
<b>Total Assets less liabilities</b>		<b>17,155,032</b>	<b>19,293,815</b>	15,193,440	17,208,799
<b>Taxpayers' Equity &amp; other Reserves</b>					
General Fund		<b>10,129,120</b>	<b>11,969,031</b>	9,130,695	10,827,754
Revaluation Reserve		<b>7,092,107</b>	<b>7,419,206</b>	6,124,927	6,458,266
EU Deferred Grant Reserve		<b>9,555</b>	<b>9,555</b>	10,718	10,718
Pension Fund Reserve		<b>(75,750)</b>	<b>(103,977)</b>	(72,900)	(87,939)
<b>Total equity</b>		<b>17,155,032</b>	<b>19,293,815</b>	15,193,440	17,208,799

**Sir Derek Jones KCB**  
**Permanent Secretary and Principal Accounting Officer**  
**Date: 18 August 2015**

The Notes on pages 33 to 61 form part of these accounts

**Consolidated Statement of Cash Flows for the year ended 31 March 2015**

	Note	Year ended 31 March 2015		Restated Year ended 31 March 2014	
		WG	Consolidated	WG	Consolidated
		£000	£000	£000	£000
<b>Cash flows from operating activities</b>					
Net operating cost		(13,002,415)	(12,915,039)	(13,226,974)	(13,197,158)
Non – cash transactions:					
Administrative costs	5	12,583	10,295	16,031	17,084
Programme costs	6	371,002	594,987	626,355	884,538
Income payable to Welsh Consolidated Fund		(122,894)	(122,894)	(7,549)	(7,549)
Movements in working capital other than cash	12	15,007	(9,219)	(239,054)	(280,067)
Other adjustments via General Fund		(2)	553	1	1,533
Use of provisions	18	(80,831)	(179,128)	(80,890)	(170,007)
<b>Net cash outflow from operating activities</b>		(12,807,550)	(12,620,445)	(12,912,080)	(12,751,626)
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment		(131,162)	(380,576)	(125,121)	(332,419)
Purchase of intangible assets		(351)	(5,831)	(4,141)	(7,187)
Proceeds of disposal of property, plant and equipment		1,906	8,194	4,440	16,541
Proceeds of disposal of development assets		19,205	19,205	11,752	11,752
Proceeds of disposal of financial assets		-	-	-	(22,452)
Proceeds of disposal of intangible assets		-	-	-	87
Purchase of development assets		(17,820)	(17,820)	(59,623)	(59,623)
Issue of loans and investments		(493,080)	(424,385)	(429,835)	(368,230)
Movement in bank loan		-	(9,300)	-	(14,600)
Repayment of loans		77,116	79,076	100,652	100,652
Interest received		-	40	-	33
<b>Net cash outflow from investing activities</b>		(544,186)	(731,397)	(501,876)	(675,446)
<b>Cash flows from financing activities</b>					
From Welsh Consolidated Fund (Supply) – current year		13,430,393	13,430,393	13,392,939	13,392,939
Capital element of payments for finance leases and on balance sheet PFI contracts		(8,327)	(8,327)	(8,056)	(8,056)
<b>Net Cash Outflow/Inflow from Financing activities</b>		13,422,066	13,422,066	13,384,883	13,384,883
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the WCF</b>		70,330	70,224	(29,073)	(42,189)
Movements in non-operating receipts due to be surrendered to Welsh Consolidated Fund		121,240	121,240	(30,793)	(30,793)
<b>Net increase/(decrease) in cash and cash equivalent in the period after adjustment for receipts and payments to the WCF</b>	16	191,570	191,464	(59,866)	(72,982)
<b>Cash and cash equivalents at the beginning of the period</b>	16	21,242	207,967	81,108	280,949
<b>Cash and cash equivalents at the end of the period</b>	16	212,812	399,431	21,242	207,967

The Notes on pages 33 to 61 form part of these accounts

Consolidated Statement of changes on Taxpayers' Equity for the year ended 31 March 2015					
Consolidated	General	European	Revaluation	Pension	Total Reserves
	Fund	Deferred Grant Reserve	Reserve	Fund Reserve	
	£000	£000	£000	£000	£000
<b>Balance at 31 March 2013</b>	<b>10,555,184</b>	<b>11,881</b>	<b>6,393,374</b>	<b>(125,784)</b>	<b>16,834,655</b>
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	(13,197,158)	-	-	-	(13,197,158)
<b><i>Non-cash adjustments</i></b>					
Net gain/(loss) on revaluation	4,064	-	163,420	-	167,484
Adjustments	-	-	(1)	-	(1)
Impairment	1,156	-	-	-	1,156
Actuarial gain/(loss) on pension scheme	1,610	-	-	-	1,610
Student Loans	(21,526)	-	-	-	(21,526)
Consolidated Fund Extra Receipts	(25)	-	-	-	(25)
Loan repayments to Consolidated Fund	(107)	-	-	-	(107)
<b><i>Movements in reserves</i></b>					
Release of reserves to statement of Comprehensive Expenditure	-	(1,163)	-	-	(1,163)
Transfers between reserves	98,527	-	(98,527)	-	-
In year pension movement	507	-	-	37,845	38,352
<b>Restated balance at 31 March 2014</b>	<b>10,827,754</b>	<b>10,718</b>	<b>6,458,266</b>	<b>(87,939)</b>	<b>17,208,799</b>
Welsh Consolidated fund – drawn down	13,430,393	-	-	-	13,430,393
Welsh Consolidated Fund - deemed	(122,767)	-	-	-	(122,767)
Net operating cost for the year	(12,915,039)	-	-	-	(12,915,039)
<b><i>Non-cash adjustments</i></b>					
Net gain/(loss) on revaluation of property, plant and equipment	-	-	1,730,126	-	1,730,126
Net gain/(loss) on revaluation of investments	1,479	-	-	-	1,479
Net gain/(loss) on assets held for sale	-	-	(234)	-	(234)
Impairment	282	-	-	-	282
Other adjustments	(2)	-	2	-	-
Actuarial gain/(loss) on pension scheme	(1,190)	-	-	-	(1,190)
Student Loans	(20,210)	-	-	-	(20,210)
Consolidated Fund Extra Receipts	(21)	-	-	-	(21)
Loan repayments to Consolidated Fund	(106)	-	-	-	(106)
<b><i>Movements in reserves</i></b>					
Release of reserves to statement of Comprehensive Expenditure	-	(1,163)	-	-	(1,163)
Transfers between Reserves	768,954	-	(768,954)	-	-
In year pension movement	(496)	-	-	(16,038)	(16,534)
<b>Balance at 31 March 2015</b>	<b>11,969,031</b>	<b>9,555</b>	<b>7,419,206</b>	<b>(103,977)</b>	<b>19,293,815</b>

The Notes on pages 33 to 61 form part of these accounts.

**Consolidated Statement of changes in Taxpayers' Equity continued**

Welsh Government only	General Fund £000	European Deferred Grant Reserve £000	Revaluation Reserve £000	Pension Fund Reserve £000	Total Reserves £000
<b>Balance at 31 March 2013</b>	<b>8,906,269</b>	<b>11,881</b>	<b>6,083,587</b>	<b>(92,570)</b>	<b>14,909,167</b>
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)
<b><i>Non-cash adjustments</i></b>					
Net gain/(loss) on revaluation of property, plant and equipment	-	-	128,367	-	128,367
Student Loans	(21,526)	-	-	-	(21,526)
Consolidated Fund Extra Receipts	(25)	-	-	-	(25)
Other adjustments	-	-	(1)	-	(1)
Loan repayments payable to Consolidated Fund	(107)	-	-	-	(107)
<b><i>Movements in Reserves</i></b>					
Release of reserves to Statement of Comprehensive Expenditure	-	(1,163)	-	-	(1,163)
Transfers of assets	-	-	-	-	-
Transfers between Reserves	87,026	-	(87,026)	-	-
In year pension movement	510	-	-	19,670	20,180
<b>Balance at 31 March 2014</b>	<b>9,130,695</b>	<b>10,718</b>	<b>6,124,927</b>	<b>(72,900)</b>	<b>15,193,440</b>
Welsh Consolidated fund – drawn down	13,430,393	-	-	-	13,430,393
Welsh Consolidated fund – to surrender	(122,767)	-	-	-	(122,767)
Net operating cost for the year	(13,002,415)	-	-	-	(13,002,415)
<b><i>Non-cash adjustments</i></b>					
Net gain/(loss) on revaluation of property, plant and equipment	-	-	1,682,692	-	1,682,692
Student Loans	(20,210)	-	-	-	(20,210)
Consolidated Fund Extra Receipts	(21)	-	-	-	(21)
Other adjustments	(3)	-	2	-	(1)
Loan repayments payable to Consolidated Fund	(106)	-	-	-	(106)
<b><i>Movements in Reserves</i></b>					
Release of reserves to Statement of Comprehensive Expenditure	-	(1,163)	-	-	(1,163)
Transfers between Reserves	715,514	-	(715,514)	-	-
In year pension movement	(1,960)	-	-	(2,850)	(4,810)
<b>Balance at 31 March 2015</b>	<b>10,129,120</b>	<b>9,555</b>	<b>7,092,107</b>	<b>(75,750)</b>	<b>17,155,032</b>

The Notes on pages 33 to 61 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. Design Commission for Wales, Hybu Cig Cymru – Meat Promotion Wales, Life Sciences Hub Wales Ltd, Sector Development Wales Partnership Ltd, Welsh Development Management Ltd, Innovation Point Wales, Welsh Government Transport Company 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 2014-15 were taken from the Investment Property Databank (IPD) UK Annual Index (2015).

##### 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. External professional surveyors undertake a full valuation of the network at intervals not exceeding five years. This valuation was carried out in 2014-15. Interim valuations use 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 green-field 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 green-field 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 'de-trunkings' respectively. The trunking or de-trunking of roads from or to local authorities is treated as a transfer from or to other government departments. Roads and structures de-trunked 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	2 to 10 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, in the form of joint ventures 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 are received. 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 payable 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 26. 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.

#### **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**

Grants payable or paid are recorded as expenditure in the period that the underlying event or activity giving entitlement to the grant occurs.

#### **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.

#### **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 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 Provisions**

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, provisions for liabilities and charges are made at the year-end where present legal or constructive obligation exists (ie a present obligation arising from past events), the outflow of resources that will be required to settle the obligation is probable and a reasonable estimate of the obligation can be made.

Where the time value of money is material, provisions are discounted to present value using HM Treasury's real discount rates.

#### **1.22 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.

#### **1.23 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.

#### **1.24 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 2013-14 consolidated figures as at 31 March 2014 have been re-stated to include the final accounts of 2 subsidiaries which had previously been consolidated in draft for last year's consolidation. The net effect is shown below:

	£000
Comprehensive net expenditure for the year ended 31 March 2014	12,990,307
Prior period adjustment	<u>(595)</u>
Restated comprehensive net expenditure for the year ended 31 March 2014	<u>12,989,712</u>
Reserves balance as at 31 March 2014 as previously reported	17,208,204
Prior period adjustment:-	
General Fund	767
Revaluation Reserve	<u>(172)</u>
Restated Reserves balance as at 31 March 2014	<u>17,208,799</u>

**3a. Reconciliation of outturn to net operating cost**

	Outturn 2014-15 £000	Outturn 2013-14 £000
Net resource outturn	<b>13,704,464</b>	13,844,340
Excess income surrender to WCF less Capital, Loans & adjustments	<b>(702,049)</b>	(617,366)
<b>Net operating cost</b>	<b>13,002,415</b>	13,226,974

**3b. Reconciliation of resources to cash requirement**

	Budget 2014-15 £000	Outturn 2014-15 £000	Outturn compared with Budget £000	Outturn 2013-14 £000
<b>Net resource outturn</b>	<b>13,920,166</b>	<b>13,704,464</b>	<b>215,702</b>	13,844,340
Excess income surrender to WCF	-	-	-	-
Depreciation	(160,866)	(161,396)	530	(129,282)
Impairments	(131,999)	(46,903)	(85,096)	(17,453)
Student loans	33,661	(82,843)	116,504	(418,301)
Movements in provisions	(183,278)	(102,395)	(80,883)	(69,893)
Movements in working capital	92,848	(76,660)	169,508	197,894
Addition of amounts not part of resource outturn	-	7,098	(7,098)	39,505
Other	-	(2,543)	2,543	5,994
<b>Net cash requirement</b>	<b>13,570,532</b>	<b>13,238,822</b>	<b>331,710</b>	<b>13,452,804</b>

#### 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 2014-15	Total 2013-14
<b>Total</b>	<b>71,386</b>	<b>1,596</b>	<b>10</b>	<b>72,992</b>	<b>72,399</b>
Of which:					
Welsh Government	5,113	433	10	5,556	5,497
Local Health Boards	65,394	1,163	-	66,557	66,010
Subsidiaries	879	-	-	879	892

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	Restated
				31 March	Year ended
				2015 Total	31 March 2014 Total
	£000	£000	£000	£000	£000
Salaries	204,820	34,636	461	239,917	235,657
Social Security Costs	17,778	1,931	89	19,798	19,627
Other Pension Costs	39,446	6,112	43	45,601	42,921
Pension liabilities	11,179	-	-	11,179	4,458
<b>Total</b>	<b>273,223</b>	<b>42,679</b>	<b>593</b>	<b>316,495</b>	<b>302,663</b>
Less:					
Recoveries from outward secondments	(1,289)	-	-	(1,289)	(1,414)
Recharged to programme costs	(66,002)	-	-	(66,002)	(61,499)
<b>Net administration staff costs</b>	<b>205,932</b>	<b>42,679</b>	<b>593</b>	<b>249,204</b>	<b>239,750</b>
Of which: Core department	210,360	3,503	593	214,456	207,245

\*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 2014-15 or 2013-14.

For 2014-15 132 (2013-14:32) employees have left or agreed to leave on Voluntary Exit terms between 31 March 2014 and 31 March 2015. They will receive compensation payments totalling £6,324,960 (2013-14: £1,593,171).

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 2014-15	Total number of exit packages by cost band 2013-14
<£10,000	2	3
£10,000 - £25,000	29	11
£25,000 - £50,000	54	5
£50,000 - £100,000	39	9
£100,000 - £150,000	6	3
£150,000 - £200,000	1	1
£200,000+	1	-
Total number of exit packages by type	132	32
Total resource cost £	6,324,960	1,593,171

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 2015		Restated Year ended 31 March 2014	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Goods and Services	51,985	63,929	51,049	64,829
Rentals under operating leases	3,877	3,877	4,408	4,408
Travel, subsistence and hospitality	4,961	5,294	5,001	5,273
Early retirement cost	207	207	443	443
Audit Fees	406	641	406	543
Relocation costs*	550	550	618	618
Loss/(Gain) on exchange rate	3	3	52	52
	61,989	74,501	61,977	76,166
Non Cash Items:				
Depreciation	7,021	7,284	6,881	7,003
Amortisation	3,096	4,063	3,186	3,662
Impairment of property, plant and equipment	3,138	3,138	5,415	5,415
(Gain)/loss on disposal of property, plant and equipment	(20)	(20)	-	(1,055)
(Gain)/loss from fair value of investments	-	(3,078)	3	1,761
Provisions	1,308	1,308	36	(59)
Pension finance*	(1,960)	(2,400)	510	357
	12,583	10,295	16,031	17,084
<b>Total Other Administration Costs</b>	<b>74,572</b>	<b>84,796</b>	<b>78,008</b>	<b>93,250</b>

\* these costs are subject to UK taxation

**6. Programme Costs**

	Year ended 31 March 2015		Restated Year ended 31 March 2014	
	WG	Consolidated £000	WG	Consolidated £000
	<b>Programme expenditure:</b>			
Grants	13,723,032	7,805,762	13,638,694	7,925,612
Goods and services (a)	361,991	3,306,114	367,682	3,189,464
Staff costs	66,002	2,943,058	61,499	2,860,986
Rentals under operating leases	6,299	28,141	5,214	25,504
PFI and other service concession arrangements	13,505	13,505	13,051	13,051
service charges (b)				
	<b>14,170,829</b>	<b>14,096,580</b>	<b>14,086,140</b>	<b>14,014,617</b>
<b>Non-cash costs:</b>				
Depreciation	70,224	202,137	50,207	176,069
Amortisation	1,295	3,063	616	2,221
Government granted assets	-	(1,434)	-	(3,901)
Donated assets	-	(10,619)	-	(107)
Impairment of property, plant and equipment	30,734	34,656	6,170	53,373
Impairment of development assets	16,441	16,441	4,373	4,373
Impairment of investments	(3,410)	(3,410)	1,492	1,492
Profit on disposal of development assets	(7,894)	(7,894)	(4,460)	(4,460)
(Profit)/loss on disposal of property, plant and equipment	14	(662)	72	(533)
Investment diminution Finance Wales	-	12,363	-	9,274
Student loans (c)	82,843	82,843	418,301	418,301
Increase/ (Decrease) in Provisions	181,918	268,958	150,747	229,891
Release of PFI deferred credits	-	(292)	-	(292)
Release of EU Grant	(1,163)	(1,163)	(1,163)	(1,163)
	<b>371,002</b>	<b>594,987</b>	<b>626,355</b>	<b>884,538</b>
	<b>14,541,831</b>	<b>14,691,567</b>	<b>14,712,495</b>	<b>14,899,155</b>

a. Includes £79,760,000 (2013-14: £68,392,000) classed as capital maintenance depreciation

b. Welsh government figures only

c. Student loans non-cash charges were adjusted by £350,131,000 as at 31 March 2014 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 2014-15 is £406,357 (2013-14: £406,305) 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	2014-15	2013-14
	£	£
NHS Summarised Account	39,550	39,558
National Non Domestic Rate Account	9,950	10,069
Whole of Government Account	39,207	39,375
Welsh Consolidated Fund	16,474	16,950

**8. Programme Income**

	Year ended 31 March 2015		Restated Year ended 31 March 2014	
	WG £000	Consolidated £000	WG £000	Consolidated £000
<b>Programme Income</b>				
Non-EU Income:				
National Insurance health funding contribution	973,384	973,384	910,480	910,480
Housing Revenue Account	72,690	72,690	72,791	72,791
Student loans interest receivable	57,372	57,372	41,160	41,160
Health income	36,945	306,922	26,022	276,263
Property & investment income	27,790	27,790	27,508	27,508
Other	22,414	21,517	15,903	21,930
	<b>1,190,595</b>	<b>1,459,675</b>	<b>1,093,864</b>	<b>1,350,132</b>
<b>Income outside the supply process</b>				
Consolidated Fund Extra Receipts	21	21	25	25
	<b>1,190,616</b>	<b>1,459,696</b>	<b>1,093,889</b>	<b>1,350,157</b>
<b>EU Income:</b>				
Common Agricultural Policy	246,099	246,099	300,818	300,818
European Structural Funds Programmes	388,120	401,112	372,845	380,800
Other	2,511	2,511	2,395	2,395
	<b>636,730</b>	<b>649,722</b>	<b>676,058</b>	<b>684,013</b>
	<b>1,827,346</b>	<b>2,109,418</b>	<b>1,769,947</b>	<b>2,034,170</b>

## 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
<b>Cost or Valuation</b>								
At 1 April 2013	15,677,093	386,445	1,932,370	48,597	163,155	541,583	314,587	19,063,830
Additions	-	899	22,992	713	10,150	41,166	253,449	329,369
Disposals	(102)	(6,440)	(9,646)	-	(6,945)	(32,857)	-	(55,990)
Impairments	(5,186)	(1,492)	(44,699)	(1,327)	(245)	(5,523)	(425)	(58,897)
Revaluations	168,229	901	38,845	987	-	-	-	208,962
Reclassified to held for sale	-	(3,588)	(14,658)	(499)	-	-	-	(18,745)
Reclassification	36,817	527	93,639	7	660	470	(136,325)	(4,205)
<b>Restated at 31 March 2014</b>	<b>15,876,851</b>	<b>377,252</b>	<b>2,018,843</b>	<b>48,478</b>	<b>166,775</b>	<b>544,839</b>	<b>431,286</b>	<b>19,464,324</b>
<b>Depreciation</b>								
At 1 April 2013	2,253,796	-	98,183	1,994	108,620	358,965	1,879	2,823,437
Charged in year	115,638	-	72,492	1,464	17,112	44,756	-	251,462
Transfers	-	-	-	-	-	-	-	-
Disposals	(18)	-	(2,746)	-	(6,920)	(32,782)	-	(42,466)
Impairments	424	-	(909)	(146)	(137)	(49)	-	(817)
Revaluations	(22,071)	-	(902)	33	-	-	-	(22,940)
Reclassified to held for sale	-	-	(12,703)	(335)	-	-	-	(13,038)
Reclassification	-	-	87	-	(49)	49	(87)	-
<b>Restated at 31 March 2014</b>	<b>2,347,769</b>	<b>-</b>	<b>153,502</b>	<b>3,010</b>	<b>118,626</b>	<b>370,939</b>	<b>1,792</b>	<b>2,995,638</b>
<b>Carrying amount at 31 March 2014</b>	<b>13,529,082</b>	<b>377,252</b>	<b>1,865,341</b>	<b>45,468</b>	<b>48,149</b>	<b>173,900</b>	<b>429,494</b>	<b>16,468,686</b>
Carrying amount at 31 March 2013	13,423,297	386,445	1,834,187	46,603	54,535	182,618	312,708	16,240,393
	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
<b>Asset financing:</b>								
Owned	13,142,482	366,197	1,763,781	43,298	48,149	171,296	429,494	15,964,697
Finance Leased	-	-	13,021	-	-	2,604	-	15,625
On-balance sheet PFI contracts	386,600	11,055	88,539	2,170	-	-	-	488,364
<b>Restated carrying amount at 31 March 2014</b>	<b>13,529,082</b>	<b>377,252</b>	<b>1,865,341</b>	<b>45,468</b>	<b>48,149</b>	<b>173,900</b>	<b>429,494</b>	<b>16,468,686</b>

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
Cost or Valuation	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2014	15,876,851	377,252	2,018,843	48,478	166,775	544,839	431,286	19,464,324
Additions	-	2,035	30,182	(48)	22,246	59,206	311,122	424,743
Disposals	(378)	(783)	(4,801)	(385)	(11,588)	(30,129)	-	(48,064)
Transfers	-	-	-	-	-	-	3,250	3,250
Impairments	(24,292)	727	(377)	350	(201)	(930)	-	(24,723)
Revaluations	2,001,856	7,197	50,304	1,919	7	758	-	2,062,041
Reclassified to held for sale	-	(1,278)	(1,077)	(36)	-	(64)	-	(2,455)
Reclassifications	97,680	467	136,937	(1,014)	127	8,587	(243,409)	(625)
<b>At 31 March 2015</b>	<b>17,951,717</b>	<b>385,617</b>	<b>2,230,011</b>	<b>49,264</b>	<b>177,366</b>	<b>582,267</b>	<b>502,249</b>	<b>21,878,491</b>
<b>Depreciation</b>								
At 1 April 2014	2,347,769	-	153,502	3,010	118,626	370,939	1,792	2,995,638
Charged in year	146,781	-	78,944	1,522	17,230	44,703	-	289,180
Disposals	(35)	-	(3,832)	(230)	(11,577)	(29,927)	-	(45,601)
Transfers	-	-	-	-	-	-	-	-
Impairments	4,839	-	4,946	(230)	(136)	(674)	-	8,745
Revaluations	254,621	-	(1,818)	200	-	3,519	-	256,522
Reclassified to held for sale	-	-	-	-	-	-	-	-
Reclassification	-	-	73	(37)	258	(433)	-	(139)
<b>At 31 March 2015</b>	<b>2,753,975</b>	<b>-</b>	<b>231,815</b>	<b>4,235</b>	<b>124,401</b>	<b>388,127</b>	<b>1,792</b>	<b>3,504,345</b>
<b>Carrying amount at 31 March 2015</b>	<b>15,197,742</b>	<b>385,617</b>	<b>1,998,196</b>	<b>45,029</b>	<b>52,965</b>	<b>194,140</b>	<b>500,457</b>	<b>18,374,146</b>
Carrying amount at 31 March 2014	13,529,082	377,252	1,865,341	45,468	48,149	173,900	429,494	16,468,686
	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
<b>Asset financing:</b>								
Owned	14,816,235	374,340	1,895,690	42,810	52,965	191,516	500,457	17,874,013
Finance Leased	-	-	12,439	-	-	1,819	-	14,258
On-balance sheet PFI contracts	381,507	11,277	90,067	2,219	-	805	-	485,875
<b>Carrying amount at 31 March 2015</b>	<b>15,197,742</b>	<b>385,617</b>	<b>1,998,196</b>	<b>45,029</b>	<b>52,965</b>	<b>194,140</b>	<b>500,457</b>	<b>18,374,146</b>

## 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 2015	15,197,742	26,387	116,660	1,710	12,303	21,878	268,150	15,644,830
LHB's and subsidiaries at 31 March 2015	-	359,230	1,881,536	43,319	40,662	172,262	232,307	2,729,316
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	1,759,066	43,708	32,163	160,795	190,049	2,538,152

Most of the freehold land and buildings (with exceptions noted at 1) and 2) below) were valued on 31 March 2015 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 the current year.
- 2) In intervening financial years, between formal 5 yearly valuations, freehold land and buildings are valued using latest available indices at March in each financial year to provide a reasonable estimate of valuation. Network Assets were formally revalued in 2014-15 and due to high variations in key parameters the revaluation is significantly higher, as an in-year movement.

**10. Intangible assets**

	Information Technology £000
<b>Cost or valuation</b>	
At 1 April 2014	46,258
Additions	6,430
Disposals	(1,298)
Revaluation	-
Reclassifications	625
<b>At 31 March 2015</b>	<b>52,015</b>
<b>Amortisation</b>	
At 1 April 2014	25,873
Charged in year	7,126
Disposals	(1,299)
Reclassification	139
<b>At 31 March 2015</b>	<b>31,839</b>
<b>Net Book Value at 31 March 2015</b>	<b>20,176</b>
Net Book Value at 1 April 2014	20,385
<b>Cost or valuation</b>	
At 1 April 2013	34,457
Additions	7,855
Disposals	(259)
Revaluation	-
Reclassifications	4,205
<b>Restated at 31 March 2014</b>	<b>46,258</b>
<b>Amortisation</b>	
At 1 April 2013	20,163
Charged in year	5,882
Disposals	(172)
Reclassification	-
<b>Restated at 31 March 2014</b>	<b>25,873</b>
<b>Net Book Value at 31 March 2014</b>	<b>20,385</b>
Net Book Value at 1 April 2013	14,294
<b><u>Analysis of intangible assets</u></b>	
<u>Core at 31 March 2015</u>	10,354
<u>Core at 31 March 2014</u>	14,147

**11 Financial Assets**

	Student Loans £000	NHS Trusts Public Dividend Capital £000	Other Financial assets £000	Total £000
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	(418,303)	-	131	(418,172)
<b>Balance at 31 March 2014</b>	<b>1,775,485</b>	<b>141,863</b>	<b>145,201</b>	<b>2,062,549</b>
Additions	360,183	16,164	48,038	424,385
Loan repayments	(80,814)	-	(13,856)	(94,670)
Capitalised interest	57,372	-	-	57,372
Fair value adjustment <sup>1</sup>	(82,842)	-	(1,710)	(84,552)
<b>Balance at 31 March 2015</b>	<b>2,029,384</b>	<b>158,027</b>	<b>177,673</b>	<b>2,365,084</b>

Core at 31 March 2015: £2,632,400 (31 March 2014: £2,258,706)

<sup>1</sup>In last year's accounts this was shown as Fair value adjustment £68,172,000 and changes in assumptions and modelling £350,131,000

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 2014-15 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 issued. 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.

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 31 March 2015		Year ended 31 March 2014	
	WG	Consolidated	WG	Consolidated
	£000	£000	£000	£000
Increase/(decrease) in inventories	(15,347)	(15,804)	47,591	49,438
Increase/(decrease) in receivables: non current	-	30,499	-	20,449
: current	13,167	47,118	46,080	47,888
(Increase)/decrease in payables: current	(215,429)	(290,537)	181,354	202,132
: non-current	8,609	9,281	8,326	10,280
Increase/(decrease) in other current assets	-	-	-	(4,064)
(Increase)/decrease in other liabilities	-	320	-	1
National Loans Fund	69	69	59	59
	(208,931)	(219,054)	283,410	326,183
Student Loans interest	57,372	57,372	41,160	41,160
Development assets movement	13,182	13,182	(47,958)	(47,958)
Adjustments for accrual movement fixed assets	10,456	32,714	1,291	(8,888)
Finance Wales – movement in loan provisions	-	6,843	-	4,862
Finance Wales - debtor	-	-	-	(21)
Adjustment for capital provision	-	-	-	(33)
Other investments held as current assets	-	5,506	-	4,143
PFI/Finance lease capital element	(8,326)	(8,326)	(8,056)	(8,056)
Medical stock write off	-	-	-	-
Other adjustment	-	(258)	-	(532)
Less movement in amounts payable to the Welsh Consolidated Fund and other non-operating cost balances	121,240	121,240	(30,793)	(30,793)
	(15,007)	9,219	239,054	280,067

**13. Inventories - Development Assets**

	As at 31 March 2015		As at 31 March 2014	
	WG	Consolidated	WG	Consolidated
	£000	£000	£000	£000
As at 1 April	199,342	199,452	151,384	151,494
Additions	17,820	17,820	59,623	59,623
Disposals	(11,311)	(11,311)	(7,292)	(7,292)
Transfers	(3,250)	(3,250)	-	-
Impairment on revaluation	(16,441)	(16,441)	(4,373)	(4,373)
<b>As at 31 March</b>	<b>186,160</b>	<b>186,270</b>	<b>199,342</b>	<b>199,452</b>

**14. Inventories**

	As at 31 March 2015		As at 31 March 2014	
	WG	Consolidated	WG	Consolidated
	£000	£000	£000	£000
Drugs	24,925	46,248	25,653	44,894
Telecommunication spares	3,174	3,174	4,207	4,207
Road salt	1,411	1,411	1,718	1,718
Other consumables	607	38,114	704	40,750
	<b>30,117</b>	<b>88,947</b>	<b>32,282</b>	<b>91,569</b>

**15. Trade and other receivables**

	As at		As at	
	31 Mar 2015		31 Mar 2014	
	WG	Consolidated	WG	Consolidated
<b>Amounts falling due within one year:</b>				
Trade receivables	75,331	194,490	108,304	191,945
Deposits & advances	57	57	76	76
Other tax	15,291	15,291	17,343	17,343
Prepayments and accrued income <sup>1</sup>	167,273	189,273	118,799	142,366
Welsh Consolidated Fund	-	-	263	263
	<b>257,952</b>	<b>399,111</b>	<b>244,785</b>	<b>351,993</b>
<b>Amounts falling due after more than one year:</b>				
Prepayments	-	3,389	-	3,294
Other receivables	-	89,358	-	58,954
	<b>-</b>	<b>92,747</b>	<b>-</b>	<b>62,248</b>
<b>Total trade receivables and other current assets</b>	<b>257,952</b>	<b>491,858</b>	<b>244,785</b>	<b>414,241</b>

<sup>1</sup> Includes EU debtor of £27,478,000 (2013-14: £38,304,000)

**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 2015	31 Mar 2014	31 Mar 2015	31 Mar 2014
	£000	£000	£000	£000
<b>Amounts falling due within one year:</b>				
Balances with other central government bodies	89,120	26,501	-	-
Balances with local authorities	23,496	16,311	-	-
Balances with NHS Trusts	13,105	14,750	-	-
Balances with public corporations and trading funds	-	-	-	-
<b>Subtotal: intra-government balances</b>	<b>125,721</b>	<b>57,562</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	273,390	294,431	92,747	62,248
<b>Total Trade payables</b>	<b>399,111</b>	<b>351,993</b>	<b>92,747</b>	<b>62,248</b>

**16. Cash and cash equivalents**

	WG As at 31 March 2015	Consolidated As at 31 March 2015	WG As at 31 March 2014	Consolidated As at 31 March 2014
	£000	£000	£000	£000
Balance at 1 April	<b>21,242</b>	<b>207,967</b>	81,108	280,949
Net change in cash and cash equivalent balances	<b>191,570</b>	<b>191,464</b>	(59,866)	(72,982)
Balance at 31 March	<b>212,812</b>	<b>399,431</b>	21,242	207,967
<hr/>				
The following balances were held at:				
Government Banking Service	<b>209,413</b>	<b>225,473</b>	19,810	61,965
Commercial banks & cash in hand	<b>3,399</b>	<b>173,958</b>	1,432	146,002
<b>Total</b>	<b>212,812</b>	<b>399,431</b>	21,242	207,967
<hr/>				

**17. Trade payables and other current liabilities**

	As at 31 Mar-2015		Restated As at 31 Mar-2014	
	WG £000	Consolidated £000	WG £000	Consolidated £000
<b>Amounts falling due within one year:</b>				
Other taxation and social security	<b>5,333</b>	<b>30,307</b>	5,310	61,218
Trade and other payables	<b>413,316</b>	<b>715,013</b>	432,979	679,979
Accruals & deferred income:				
European Union	<b>71,900</b>	<b>71,900</b>	40,094	40,094
Other accruals and deferred income	<b>265,269</b>	<b>565,962</b>	179,489	429,256
Amounts payable to the Welsh Consolidated Fund	<b>126,882</b>	<b>126,882</b>	9,682	9,682
Obligations under finance leases and PFI contracts	<b>8,609</b>	<b>13,183</b>	8,326	12,481
	<b>891,309</b>	<b>1,523,247</b>	675,880	1,232,710
<hr/>				
<b>Amounts falling due after more than one year</b>				
Obligations under finance leases and PFI contracts and other payables	<b>133,642</b>	<b>211,968</b>	142,251	220,355
	<b>133,642</b>	<b>211,968</b>	142,251	220,355
<b>Total trade payables and other current liabilities</b>	<b>1,024,951</b>	<b>1,735,215</b>	818,131	1,453,065
<hr/>				

**17.1 Trade payables and other current liabilities continued**

**Intra-Government Balances**

<b>Consolidated figures only required</b>	<b>Amounts falling due within one year</b>		<b>Amounts falling due after more than one year</b>	
	<b>31 Mar 2015</b>	<b>31 Mar 2014</b>	<b>31 Mar 2015</b>	<b>31 Mar 2014</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>				
Balances with other central government bodies	13,436	10,359	-	-
Balances with local authorities	100,730	74,722	-	-
Balances with NHS Trusts	111,532	91,329	-	-
Balances with public corporations and trading funds	-	833	-	-
<b>Subtotal: intra-government balances</b>	<b>225,698</b>	<b>177,243</b>	<b>-</b>	<b>-</b>
Balances with bodies external to government	1,297,549	1,055,467	211,968	220,355
<b>Total Trade payables</b>	<b>1,523,247</b>	<b>1,232,710</b>	<b>211,968</b>	<b>220,355</b>

**18. Provisions for liabilities and charges**

	WG As at 31 March 2015	Consolidated As at 31 March 2015	WG As at 31 March 2014	Consolidated As at 31 March 2014
	£000	£000	£000	£000
<b>Balance at 1 April</b>	<b>605,012</b>	<b>673,340</b>	535,121	613,482
Provided in the year	188,921	388,740	150,782	342,972
Provisions not required written back	(5,695)	(105,866)	-	(112,342)
Borrowing costs	-	(12,811)	-	(364)
Transfer	-	-	-	(401)
Provisions utilised in year	(80,831)	(179,128)	(80,890)	(170,007)
<b>Balance at 31 March</b>	<b>707,407</b>	<b>764,275</b>	605,013	673,340

Analysis of expected timing of discounted flows

	WG As at 31 March 2015	Consolidated As at 31 March 2015	WG As at 31 March 2014	Consolidated As at 31 March 2014
	£000	£000	£000	£000
Not later than one year	100,690	248,043	91,937	234,762
Later than one year and not later than five years	295,110	275,385	172,174	215,879
Later than 5 years	311,607	240,847	340,902	222,699
<b>Balance at 31 March</b>	<b>707,407</b>	<b>764,275</b>	605,013	673,340

**Consolidated provisions by type:**

	Employ- ment	Commercial	Health	Total
	£000	£000	£000	£000
Not later than one year	1,489	5,384	241,170	248,043
Later than one year and not later than five years	665	15,000	259,721	275,386
Later than 5 years	71	-	240,775	240,846
<b>Balance at 31 March 2015</b>	<b>2,225</b>	<b>20,384</b>	<b>741,666</b>	<b>764,275</b>

**(i) Employment provision**

The Welsh Government has various potential pension and employment liabilities in respect of previous employees.

**(ii) Commercial provision**

The Welsh Government has various commercially sensitive provisions which underwrite projects with the aim of improving economic growth prospects.

**(ii) Health provision**

The Welsh Government has various minor health related provisions including LHB employment liabilities, the Skipton Fund (Hepatitis C infection claims) and the NHS Electronic Staff Records system; as well as expected future re-imbbursements of the Welsh Risk Pool. The Welsh Risk Pool (WRP) assists Welsh NHS bodies with risk management and settlement of disputed claims for alleged medical or employer negligence.

**19. Capital and other commitments**

**19.1 Capital commitments**

Contracted capital commitments not otherwise included within these financial statements

	31 Mar 2015		31 Mar 2014	
	WG £000	Consolidated £000	WG £000	Consolidated £000
<b>Property, plant and equipment</b>				
Network Asset Construction	<b>273,385</b>	<b>273,385</b>	340,777	340,777
Buildings/dwellings	<b>158,600</b>	<b>158,600</b>	231,918	231,918
Local Health Boards	-	<b>116,883</b>	-	317,315
Development assets	-	-	2,200	2,200
	<b>431,985</b>	<b>548,868</b>	574,895	892,210

**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 2015		Restated 31 Mar 2014	
	WG £000	Consolidated £000	WG £000	Consolidated £000
<b>Land</b>				
Not later than one year	<b>11</b>	<b>11</b>	8	8
Later than one year and not later than five years	<b>41</b>	<b>41</b>	32	32
Later than five years	<b>321</b>	<b>321</b>	283	283
	<b>373</b>	<b>373</b>	323	323
<b>Buildings</b>				
Not later than one year	<b>6,652</b>	<b>25,272</b>	6,734	24,408
Later than one year and not later than five years	<b>23,936</b>	<b>66,403</b>	23,436	60,596
Later than five years	<b>51,934</b>	<b>90,127</b>	54,914	92,025
	<b>82,522</b>	<b>181,802</b>	85,084	177,029
<b>Other:</b>				
Not later than one year	<b>81</b>	<b>81</b>	83	83
Later than one year and not later than five years	<b>77</b>	<b>77</b>	138	138
Later than five years	-	-	-	-
	<b>158</b>	<b>158</b>	221	221
	<b>83,053</b>	<b>182,333</b>	85,628	177,573

**19.2.2 Commitments under finance leases**

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

	31 Mar 2015		31 Mar 2014	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Not later than one year	<b>1,254</b>	<b>1,254</b>	1,254	1,254
Later than one year and not later than five years	<b>5,016</b>	<b>5,016</b>	5,016	5,016
Later than five years	<b>2,171</b>	<b>3,425</b>		
	<b>8,441</b>	<b>9,695</b>		
Less interest element	<b>(3,030)</b>	<b>(3,743)</b>		
Present value of obligations	<b>5,411</b>	<b>5,952</b>		

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

### 19.3 Commitments under PFI contracts

Commitments for Welsh government related PFI contracts are shown below. Local Health Board PFI contract details are reported within the accounts of the seven individual Health Board accounts.

#### *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. 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 £13,505,412 (2013-14: £13,051,438); and the payments to which the Welsh Government is committed, are as follows:

	<b>31 Mar 2015</b> £000	31 Mar 2014 £000
Not later than one year	<b>13,430</b>	13,258
Later than one year and not later than five years	<b>71,521</b>	67,794
Later than five years	<b>97,243</b>	114,401
	<b>182,194</b>	<b>195,453</b>

#### *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:	<b>31 Mar 2015</b> £000	31 Mar 2014 £000
Not later than one year	<b>17,000</b>	17,000
Later than one year and not later than five years	<b>84,000</b>	81,000
Later than five years	<b>146,000</b>	166,000
Less interest element	<b>(31,399)</b>	(35,568)
Present value of obligations	<b>215,601</b>	228,432

#### 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 2015		31 Mar 2014	
	WG £000	Consolidated £000	WG £000	Consolidated £000
Not later than one year	<b>255,108</b>	<b>255,108</b>	221,542	221,542
Later than one year and not later than five years	<b>522,599</b>	<b>522,599</b>	672,306	672,306
Later than five years	<b>8,620</b>	<b>8,620</b>	1,600	1,600
	<b>786,327</b>	<b>786,327</b>	895,448	895,448

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.

#### 19.5 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: in special circumstances the Welsh Government acts as a guarantor for its sponsored bodies. None of these guarantees are material.

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 2015 was £52 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 2015		Year ended 31 March 2014	
	WG	Consolidated	WG	Consolidated
	£000	£000	£000	£000
Legal Claims – alleged medical/ employer negligence	-	(76,059)	-	(92,181)
Potential contractual obligations under the WDA Act 1975	(10,000)	(10,000)	(10,000)	(10,000)
Other legal and contractual claims	(9,440)	(10,134)	(20,555)	(22,325)
	<b>(19,440)</b>	<b>(96,193)</b>	<b>(30,555)</b>	<b>(124,506)</b>

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

Final claims to the European Commission for the 2007-2013 programmes will not be agreed for some years. Should the value of the Euro weaken significantly in that period, the flexibility within programmes may not be sufficient to contain all potential exchange losses. It is not possible to put a likely value on this due to the range of variables.

**21 National Loans Fund**

	£000
Balance at 1 April 2014	11,554
Repayments during year	(69)
<b>Balance at 31 March 2015</b>	<b>11,485</b>
Amounts falling due within 1 year	79
Amounts falling due between 1 and 5 years	452
Amounts falling due after 5 years	10,954
<b>Total</b>	<b>11,485</b>

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 2015			
	WG	Consolidated		
		No of Cases	£000	No of Cases
Cash Losses	4	1	4	1
Claims Abandoned	171	4,931	171	4,931
Loss of accountable stores	5	2,927	5	2,927
Fruitless Payments	23	12	23	12
	<b>203</b>	<b>7,871</b>	<b>203</b>	<b>7,871</b>

	Year ended 31 March 2014			
	WG	Consolidated		
		No of Cases	£000	No of Cases
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
	<b>152</b>	<b>2,834</b>	<b>152</b>	<b>2,834</b>

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

	WG No of Cases	£000	Consolidated No of Cases	£000
Year ended 31 March 2015	<b>13</b>	<b>286</b>	<b>13</b>	<b>286</b>
Year ended 31 March 2014	4	47	4	47

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

Details on losses that exceed £300,000:

Tryst Engineering Company	£1,060,000	Company in liquidation
Desk Link Office	£1,160,000	Company in administration
Strategic drug stores	£2,926,461	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 (Minister for Public Services) is a director of BT Wales. The Welsh Government has a number of contracts with BT, principally Next Generation Broadband. BT received £73,712,779 in 2014-15. All procedures regarding related party transactions described in the ministerial Code have been complied with. The Minister has had no involvement in the award of any contracts which BT won.

Sir Adrian Webb (non-executive director) is the Chair of Big Lottery Fund Wales which received funding in 2014-15 of £4,001,683 from Communities programmes.

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 €543,000 remains as at 31 March 2015.

**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. No income was received and expenditure of €2,000 was spent on this project.

**c) Interreg IV**

Interreg IV is the replacement for Interreg III, and it has the same objectives, remit and governance as Interreg III. An advance of €1,584,000 has been received, with no other transactions.

**25. Results of related companies**

**Results of Consolidated wholly owned companies**

<b>Name of Interest</b>	<b>2014-15</b>	<b>2014-15</b>	<b>2013-14</b>	<b>2013-14</b>
	<b>Profit/ (Loss)</b> <b>£</b>	<b>Share Capital &amp; Reserves</b> <b>£</b>	<b>Profit/ (Loss)</b> <b>£</b>	<b>Share Capital &amp; Reserves</b> <b>£</b>
Finance Wales PLC (i)	<b>999,937</b>	<b>104,993,471</b>	(4,507,826)	112,894,775
Regeneration Investment Fund for Wales LLP	<b>223,054</b>	<b>30,219,431</b>	1,156,398	30,442,485
WGC Holdco Ltd	<b>Nil</b>	<b>53,950,000</b>	Nil	53,950,000
Careers Choices Dewis Gyrfa Ltd	<b>(3,191,000)</b>	<b>(21,282,000)</b>	1,144,000	(6,368,000)

(i) Investment of 12,500 ordinary £1 shares  
 (ii) At the time of signing these accounts, the accounts for WGC Holdco Ltd 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)

<b>Name of Undertaking</b>	<b>Nature of Interest</b> %	<b>Fair Value</b> <b>2014-15</b> <b>£</b>	<b>Fair Value</b> <b>2013-14</b> <b>£</b>
		<b>2014-15</b> <b>£</b>	<b>2013-14</b> <b>£</b>
Welsh Industrial Partnership LLP (i)	49	-	10,000
Dragon 24 LLP (i)	50	-	3,794,413
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
- Hybu Cig Cymru / Meat Promotion Wales Ltd
- Sector Development Wales Partnership Ltd
- Life Sciences Hub Wales Ltd
- Welsh Development Management Ltd
- International Business Wales
- Innovation Point Wales
- Welsh Government Transport Company

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 2014-15 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 certification during autumn 2015.

<b>Statement of Financial Activities</b>	Restated	
	<b>2014-15</b> £000	<b>2013-14</b> £000
Total incoming resources	<b>8,169</b>	8,561
Total resources expended	<b>(8,027)</b>	(10,986)
Other recognised gains and losses	<b>2,597</b>	676
Net movement in funds	<b>2,739</b>	(1,749)

<b>Balance Sheet</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
	£000	£000
Investments	<b>36,119</b>	33,569
Cash	<b>2,626</b>	3,847
Other Assets	<b>3,085</b>	3,026
<i>Total Assets</i>	<b>41,830</b>	40,442
Liabilities	<b>(2,720)</b>	(4,071)
<i>Total Net Assets</i>	<b>39,110</b>	36,371

## 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. Details can be found in the resource accounts of the Cabinet Office.

For 2014-15, employers contributions of £36,800,571 were payable to the PCSPS (2013-14: £35,553,532) at one of four rates in the range 16.7 to 24.3 per cent (2013-14: 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 2014-15, 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 2014-15 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees joining after 1 October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £175,307 (2013-14: £196,066) 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 £12,530, 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 (2013-14: nil). Contributions prepaid at the date were £nil (2013-14: £nil).

One individual retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £nil.

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, which is now on a career average basis rather than 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 2015 £000	Value as at 31 March 2014 £000
Fair value of assets	140,730	122,270
Present value of funded defined benefit obligation	(216,480)	(195,170)
Asset/(liability) recognised on statement of financial position	(75,750)	(72,900)
Other pension liabilities	(28,227)	(15,039)
	(103,977)	(87,939)