

The National Assembly for Wales Commission
Resource Accounts 2007-08



Cynulliad National
Cenedlaethol Assembly for
Cymru Wales



respect, probity, good governance



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MANAGEMENT COMMENTARY

These accounts have been prepared in accordance with the Treasury Direction issued under Section 137 of the Government of Wales Act 2006.

History and Statutory Background

The National Assembly for Wales Commission (the Commission) was established in May 2007 under Section 27 of the Government of Wales Act 2006 (the 2006 Act). The Commission comprises the Presiding Officer, and four other Members of the National Assembly for Wales (the Assembly) elected by the Assembly. The Clerk to the Assembly (appointed under Section 26 of the 2006 Act) is the Chief Executive of the Commission and Principal Accounting Officer. The Chief Executive and other staff appointed under paragraph 3 of Schedule 2 to the 2006 Act are referred to as “staff of the Assembly”. The Commission is independent of Welsh Assembly Government Ministers (Welsh Ministers).

Principal Activities

The Assembly exists to debate on issues of importance to Wales. It holds the Welsh Ministers to account, passes legislation (Assembly Measures) and authorises the use of resources. It is answerable to the people of Wales.

The Commission has a duty to ensure that the Assembly is provided with the property, staff and services required for this purpose. The Assembly may also give general or specific directions for the purpose of, or in connection with, the Commission’s functions.

The Commission provides the infrastructure (including the Senedd and Ty Hywel, the Assembly offices) and the salaries and allowances which enable Members to undertake their duties both at the Assembly and in their local offices. It provides the facilities and staff to allow the Assembly and its committees to meet and encourages public awareness of and engagement with the democratic process.

Further information on the work of the Commission is available in the Annual Report published alongside these accounts at www.assemblywales.org and www.cynulliadcymru.org.

The Commission and Senior Management

| <i>The Commissioners were:</i> | <i>Appointed</i> |
|--|------------------------------------|
| Rt Hon Lord Elis Thomas AM, Presiding Officer | 9 May 2007 |
| William Graham AM | 6 June 2007 |
| Lorraine Barrett AM | 6 June 2007 |
| Peter Black AM | 6 June 2007 |
| Elin Jones AM | 6 June 2007 (to 18 September 2007) |
| Christopher Franks AM | from 18 September 2007 |



The Commission has agreed portfolio arrangements whereby Commissioners take a lead interest in specific issues. These were as follows:

Lord Elis Thomas AM – Chair of the Commission - with special responsibility for promoting democratic engagement, excellent leadership, developing the Assembly's future legislative powers and external relations.

Lorraine Barrett AM – Commissioner for the Sustainable Assembly - this portfolio includes responsibility for equality; language; environment and carbon neutrality; sustainable procurement and estate management.

Peter Black AM – Commissioner for the Assembly and the Citizen – this portfolio includes looking at the quality of scrutiny and the legislative process; external communication; ICT; citizenship education;

Christopher Franks AM (Elin Jones AM to 18 September 2007) – Commissioner for the Improving Assembly - this portfolio includes looking at improving services to Members and citizens; involving stakeholders; strategic planning; and considering value for money.

William Graham AM – Commissioner for Assembly Resources - this portfolio includes considering the management of Assembly assets; Assembly people (including employees, contractors, services provided to support AMSS); the Commission's budget; Members' salaries and allowances; efficiency and good governance.

A Register of Members' Financial and Other Interests is published on the Assembly's website.

The senior management employed by the Commission, and who comprised the Assembly Parliamentary Services Executive Board from the inception of the Commission and up to the date of signing the Accounts, were:

| | |
|-----------------|--|
| Claire Clancy | Chief Executive and Clerk to the Assembly |
| Dianne Bevan | Chief Operating Officer |
| Adrian Crompton | Director of Assembly Business (from 14 May 2007) |
| Peter Jones | Director of Legal Services (to 29 October 2007) |
| Keith Bush | Director of Legal Services (from 8 October 2007) |

The Remuneration Report within these accounts contains information about the salary and pension entitlements of the named individuals.

The senior management hold their appointments on a permanent basis.

At the end of the financial year, the Commission employed 303.6 full time equivalent (fte) staff and a further 8.8 fte staff were seconded from other organisations.



The Commission appointed the following four independent advisers, all on a 3-year appointment basis, from 5 November 2007:

Mair Barnes

Tim Knighton

Richard Calvert

Professor Robert Pickard

Further background information on the independent advisers is available in the Annual Report published alongside these accounts at www.assemblywales.org and www.cynulliadcymru.org.

Review of the Principal Activities

The principal activity of the Commission and its staff during the year was to support the work of the Assembly following the May 2007 elections and the assumption of its new functions conferred by the 2006 Act. The Commission's purpose is to make the Assembly an accessible and effective parliamentary body that inspires the confidence of the people of Wales. To support this, five strategic goals and agreed working values have been established. The goals are:

- We will promote and widen engagement in devolution
- We will show unity, leadership and a bold response to constitutional change.
- In all our work, we will demonstrate respect, probity and good governance
- We will work sustainably.
- We will ensure that the Assembly has the best service, provided in the most effective way.

Further details of the Commission's goals, values and main activities are available in the Annual Report published alongside these accounts at www.assemblywales.org and www.cynulliadcymru.org.

Review of the Financial Year

The net resource outturn for 2007-08 was £41.1million, of which £12.0million was for salaries and allowances of Assembly Members, including allowances for securing staff and constituency/area based accommodation to assist them in the discharge of their duties. The salary and related costs of staff employed by the Assembly Commission was £10.5million; accommodation, ICT and other running costs amounted to some £18.8million; with £0.2million rental income and merchandise sales from the Assembly Shop. This resulted in a net resource outturn of £0.7million (1.6%) below the approved net resource budget of £41.8million, with the surplus largely attributable to lower than anticipated asset depreciation charges. Further information on the resource outturn is provided in Note 2 to the accounts.

At 31 March 2008, the Commission's net assets amounted to £67.3million.



These accounts also disclose expenditure of £0.594million in respect of the salary costs of the Presiding Officer, Deputy Presiding Officer, Auditor General for Wales and Public Services Ombudsman for Wales. These salaries are paid by the Assembly Commission but are a direct charge on the Welsh Consolidated Fund. Consequently, they are excluded from the net resource outturn.

Future Developments

The Commission's strategic goals for the Third Term of the Assembly are central to decision making on resources, service delivery and service standards. We are beginning to test these more consistently through a wide public awareness survey and tailored satisfaction assessments aimed particularly at Assembly Members. The Commission has made plans for meeting new legislative powers by enhancing key resources, and is focussing upon promoting and widening engagement in devolution. Key early developments include the enhancement of the use of the Pierhead building and repositioning our ICT facilities to maintain the Assembly's position at the cutting edge of technology and building its capacity for digital democracy. The environmental impact of the Commission's work is central to our planning for the foreseeable future. Recognising that there is public concern about how politicians are supported financially and that methods designed for different institutions do not necessarily meet the needs of Assembly Members, the Commission will establish an independent panel during 2008-09 to "report to the Assembly Commission on the best way of providing support for Assembly Members that is right for Wales, so underpinning future good governance and effective public service in Wales."

Risks and Uncertainties

The Commission has established a Risk and Benefits Management Framework to develop a risk-aware culture, managing risks appropriately, and realising opportunities for improvement. Further information is provided in the Statement on Internal Control within these accounts.

Compliance with our Duties

The Commission has a number of duties, such as equal opportunities, health and safety, promoting sustainable development, etc. Further information explaining how the Commission complies with these duties is published in the Annual Report alongside these accounts, at www.assemblywales.org and www.cynulliadcymru.org.



Pension Liabilities

The treatment of pension liabilities and details of the relevant pension schemes are set out in the Statement of Accounting Policies within these accounts.

Supplier Payment Policy

The Commission aims to comply with the UK Government's Better Payment Code. The target is for payment to be made within agreed payment terms or 30 days of receipt of invoices not in dispute for goods and services received. Payments performance for the year averaged 78% paid on time, but for March 2008 97% performance was achieved.

Events Occurring After Year End

There were no significant events occurring between the year-end and the completion of these accounts.

Audit

The Accounts are audited by the Auditor General for Wales in accordance with Section 137 of the 2006 Act. The agreed cost for the audit of the 2007-08 accounts is £49,250.

Disclosure of Relevant Audit Information

As Principal Accounting Officer, I have taken all necessary steps to ensure that I am aware of any relevant audit information and to establish that the auditors are also aware of this information.

Corporate Governance Committee

The Commission has established a Corporate Governance Committee to support the Commission and the Accounting Officer in monitoring and reviewing corporate governance, risk management and control systems. Membership of the Committee consists of three independent advisers (one of which is the Chair) and one Assembly Commissioner. Members to 31 March 2008 were William Graham AM and, appointed from 5 November 2007, Richard Calvert (Chair), Tim Knighton and Professor Robert Pickard.



Remuneration Committee

A Remuneration Committee was established and met for the first time in January 2008. The Committee was established to assist the Assembly Commission and Chief Executive in ensuring that as an organisation, we meet the highest standards of probity and accountability for the use of public funds and specifically, for appraisal and remuneration policies and systems. Its membership is Tony Morgan, Chair of Audit at Geldards and retired senior partner at PricewaterhouseCoopers, and Professor Robert Pickard, and Tim Knighton, two of our Independent Advisers. To date, it has recommended to the Assembly Commission a new pay framework for the Chief Executive and Directors since they were previously subject to the Senior Civil Service pay framework.

Claire Clancy
Chief Executive and Clerk to the Assembly

Date: 10 July 2008



REMUNERATION REPORT

Remuneration Policy

Until 3 May 2007, the basic salary for Assembly Members was set at 76.5% of the level determined for MPs. In recognition of increased responsibilities under the Government of Wales Act 2006 and following advice from a panel of four independent members and one Commissioner, the Commission determined¹ that, with effect from 4 May 2007 the basic salary for AMs should be set at 82% of the level determined for MPs.

The annual basic salary for Assembly Members, excluding employer's National Insurance and pension contributions as at 1 April 2007 was therefore £46,804 rising to £50,169 on 4 May 2007 and to £50,692 on 1 November 2007. Nine Members opted not to draw their full entitlement.

The following Members were entitled to additional annual salaries as follows:

| | From 1 April 2007 | From 1 November 2007 |
|--|----------------------|-------------------------|
| First Minister | £77,546 | £78,355 |
| Presiding Officer; Leader of the largest party not in Cabinet; Welsh Minister | £40,225 | £40,645 |
| Deputy Presiding Officer; Deputy Minister | £25,301 | £25,566 |
| Chairs of subject/scrutiny Committees, Finance and Audit Committees; Leader of opposition parties other than the largest | £5,873 | £5,934 |

The Commission does not provide any benefits-in-kind.

Assembly Members are members of the National Assembly for Wales Members' Pension Scheme for which separate annual accounts are published via the Assembly website www.assemblywales.org.

The Assembly Commissioners received no additional remuneration in relation to their Commissioner role during 2007-08.

The Commission pays the salaries and related costs of Welsh Ministers and these are disclosed as a note within the Welsh Assembly Government Consolidated Resource Accounts though are charged to the Commission's resource accounts.

¹ The National Assembly for Wales (Assembly Members and Officers) (Salaries) Determination 2008



The independent advisers were appointed on 5 November 2007 for a three-year period and receive non-pensionable emoluments of £5,000 per annum (£7,000 per annum for the Chair of the Corporate Governance Committee).

The emoluments were paid either directly to the advisers or via their employer, if requested.

The remuneration of the Chief Executive is determined by the Commission. The remuneration of the three directors is determined by the Chief Executive in consultation with the Commission. Paragraph 3 of Schedule 2 to the Government of Wales Act 2006 requires the Commission to ensure that the terms and conditions of Assembly staff are broadly in line with those applying to Welsh Assembly Government staff. For 2007-08, the Commission's senior management were remunerated in line with senior civil servants. The Remuneration Committee, established during 2007-08, has been consulted on proposals to create a unified pay scale for all staff including the senior management.

Service Contracts

Appointments of Commission staff, on terms and conditions set by the Commission, are made on merit on the basis of fair and open competition but also include provision for circumstances when appointments may otherwise be made. These principles are in line with civil service arrangements. Staff are not members of the Civil Service but are entitled to membership of the Principal Civil Service Pension Scheme (PCSPS).

Unless otherwise stated below, Assembly staff covered by this report hold appointments which are open-ended until they reach normal pensionable age under the PCSPS. They may then apply to continue their employment beyond that age. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Salaries and Pension Entitlements

The following sections provide details of the remuneration and pension interests of office holders and senior staff. These are presented in banding ranges for salary and pension. Due to certain factors being incorrect in last years CETV calculator (provided by the Cabinet Office) there may be a slight difference between the final period CETV for 2006/07 and the start of period CETV for 2007/08.



| Name and title | Salary 2007/08 | Salary 2006/07 | Real increase in pension and related lump sum at age 65 | Total accrued pension at age 65 and related lump sum at 31/3/08 | CETV at 31/3/07 | CETV at 31/3/08 | Real increase in CETV |
|---|--|--|--|---|--------------------|--------------------|-----------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Office holders | | | | | | | |
| Lord Elis Thomas AM – <i>Presiding Officer</i> | 90-95 | 85-90 | 2.5-5 | 30-35 | 469 | 585 | 67 |
| John Marek – <i>Deputy Presiding Officer (to 2 May 2007)</i> | 5-10 | 70-75 | 0-2.5 | 10-15 | 217 | 204 | 1 |
| Rosemary Butler AM – <i>Deputy Presiding Officer (from 9 May 2007)</i> | 70-75 | 50-55 | 0-2.5 | 10-15 | 207 | 279 | 59 |
| Name and title | Salary 2007/08 | Salary 2006/07 | Real increase in pension and related lump sum at age 60 | Total accrued pension at age 60 and related lump sum at 31/3/08 | CETV at 31/3/07 | CETV at 31/3/08 | Real increase in CETV |
| Senior management | | | | | | | |
| Claire Clancy – <i>Chief Executive and Clerk to the Assembly (appointed 12 February 2007)</i> | 120-125 | 10-15 (115- 120 for the full year) | 7.5-10 plus lump sum of 25- 30 | 40-45 plus lump sum of 125-130 | 558 | 812 | 166 |
| Dianne Bevan – <i>Chief Operating Officer (from 1 April 2007)</i> | 105-110 | 100-105 | 0-2.5 | 40-45 | 568 | 682 | 22 |
| Adrian Crompton – <i>Director of Assembly Business (from 14 May 2007)</i> | 80-85 | 55-60 | 2.5-5 plus lump sum of 10-15 | 15-20 plus lump sum of 55-60 | 195 | 299 | 68 |
| Peter Jones – <i>Director of Legal Services (retired 29 October 2007)</i> | 50-55 (80-85 for the full year) | 75-80 | 0-2.5 plus lump sum of 5-10 | 35-40 plus lump sum of 105-110 | 815 | 856 | 49 |
| Keith Bush – <i>Director of Legal Services (appointed 8 October 2007)</i> | 50-55 (100- 105 for the full year) | N/A | 10-15 | 10-15 | 0 | 229 | 227 |



Salary

Salaries in the above table are the amount earned in the financial year and include all remuneration payable. They do not include National Insurance or Superannuation contributions. The salary costs for the Presiding Officer and Deputy Presiding Officer were a direct charge on the Welsh Consolidated Fund with effect from May 2007.

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 spouse's pension contingently payable from the scheme. A CETV is the amount payable 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 the disclosure applies. The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the relevant scheme and for which the scheme has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the scheme member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the framework prescribed by the Institute and Faculty of Actuaries **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 drawn.**

Real Increase in CETV

The real increase in CETV reflects the increase effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. The factors used to calculate the CETV for the PCSPS were revised on 1 April 2005 on the advice of the Scheme Actuary.

Benefits in kind

No benefits in kind were paid to the Chief Executive, Directors, the Presiding Officer, Deputy Presiding Officer or Assembly Commissioners.

Pensions

Pension benefits for Assembly staff are provided through the Principal Civil Service Pension Scheme (PCSPS) arrangements. The PCSPS is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at



31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk). For 2007-08, employer contributions were payable at one of the four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands (unchanged from the rates in 2006-07). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2007-08 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

From 1 October 2002, employees may be in one of four statutory based 'final salary' defined benefit schemes (classic, premium, classic plus and nuvos). The schemes are unfunded with the cost of benefits met by monies voted by the UK Parliament each year. Pensions payable by these schemes are increased annually in line with changes to the Retail Price Index. New entrants joining between 1 October 2002 and 29 July 2007 opted between membership of premium or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account). New entrants on or after 30 July 2007 may join the nuvos scheme or opt for a partnership pension account.

Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium, Classic Plus and nuvos. Benefits in Classic accrue at the rate of 1/80th of the pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum, but members may commute some of their pension to provide a lump sum. Classic plus is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic. Nuvos is a career average scheme where benefits accrue at a rate of 2.3 per cent of salary in each year, revalued in line with the Retail Prices Index at the end of each year

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 7 and 15% (depending on the age of the member) into a stakeholder pension product chosen by the employee. 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).

Further details about the PCSPS arrangements can be found at the website www.civilservice-pensions.gov.uk

Assembly Members belong to the National Assembly for Wales Members' Pension Scheme which is a defined benefit scheme and applies to the total salary entitlement of members including amounts paid to office holders and Welsh Ministers. The Scheme is administered by Trustees, and is wholly independent to the Assembly Commission. The Scheme's accounts are available at www.assemblywales.org



The main benefits of the scheme are an immediate pension of either 1/50th or 1/40th of final salary for each year of service on retirement at age 65. Pensions are increased annually in line with changes in the Retail Price Index. Members pay a contribution equivalent to 6% of their total salary (including any additional elements receivable for office holders and Welsh Ministers) for an accrual rate of 1/50th or 10% of their total salary for an accrual rate of 1/40th, with the Commission contributing an employer contribution representing 23% of their total salary.

**Claire Clancy
Chief Executive and Clerk to the Assembly**

Date: 10 July 2008



STATEMENT OF THE COMMISSION'S AND THE PRINCIPAL ACCOUNTING OFFICER'S RESPONSIBILITIES

The Chief Executive and Clerk has prepared the statement of accounts in accordance with the Direction issued by the Treasury and with the accounting principles and disclosure requirements set out in the Financial Reporting Manual. The Resource Accounts are prepared on an accruals accounting basis and give a true and fair view of the Commission's state of affairs at the year-end, the net resource outturn, resources applied to objectives, operating cost statement, recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Chief Executive and Clerk has:

- Complied with the accounts direction issued by the Treasury;
- Complied with the relevant accounting and disclosure requirements, and applied suitable accounting policies on a consistent basis;
- Made judgements and estimates which are reasonable and prudent;
- Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- Prepared the accounts on a going concern basis.

The Chief Executive and Clerk to the Assembly is, by virtue of Section 138 of the Government of Wales Act 2006, the Principal Accounting Officer for the Commission. The relevant responsibilities of the Principal Accounting Officer, including the responsibility for the propriety and regularity of the finances of the Commission and for the keeping of proper records, are set out in a memorandum issued by the Treasury.

Claire Clancy
Chief Executive and Clerk to the Assembly

Date: 10 July 2008



STATEMENT ON INTERNAL CONTROL

Scope of responsibility

As Principal Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives of the National Assembly for Wales Commission, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me by the Treasury. It is incumbent on me, as the Principal Accounting Officer, to combine these duties with my duty to serve the Commissioners, to whom I am responsible and from whom I derive my authority.

The Assembly Commission sets the strategic aims, objectives, policies and values for the organisation and, in accordance with the provisions of paragraph 7 of Schedule 2 to the Government of Wales Act 2006, has delegated its functions, including its responsibility for the management of staff, to me as Chief Executive and Clerk to the Assembly, subject to certain exceptions and conditions. The work of the Assembly and the Commission attracts significant public interest and media coverage, and has wide-ranging political sensitivities.

During 2007-08 I, as the Principal Accounting Officer, was advised by:

- The Assembly Commission, in terms of policy, values, strategic direction, risks and opportunities;
- The Assembly Parliamentary Service Executive Board, consisting of the Chief Operating Officer, the Director of Assembly Business and the Director of Legal Services, and chaired by me, in terms of service development, delivery and capacity to achieve;
- The Operations Board and Parliamentary Services Board comprising the various Heads of Service, and other staff whose duties include a governance and financial management remit;
- The Commission's Corporate Governance Committee - fulfilling the role of an Audit Committee - consisting of one Commissioner and three independent advisers to the Commission - one of whom is the Chairman;
- The Commission's internal auditors (RSM Bentley Jennison) and the Wales Audit Office.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of our policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control was developed during the year, following the creation of the



Assembly Commission in May 2007. The system was in place as at 31 March 2008 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

The Executive Board has taken the lead in establishing a risk and benefits management regime, consistent with best practice, throughout the organisation and has worked through the Heads of Service to begin to instil a cultural change which realises opportunities through improved handling of risks. The Risk and Benefits Management Policy is a key foundation block in the Commission's system of internal control and corporate governance arrangements. It will help ensure that:

- Management and all staff are aware of risk management, weakspots and how to suggest improvements;
- Effective risk and benefits management takes place at operational, corporate and strategic levels;
- Significant risks are appropriately flagged and reported to the Executive Board and Commission as necessary;
- The Commission complies with the best public sector practice in operating a sound risk management framework as part of its internal control environment.

The risk and control framework

The Commission has a statutory duty to provide the Assembly with the property, staff and services required for its purposes. There are two distinct risk environments within this:

- Risks to the reputation and credibility of the National Assembly for Wales; and
- Risks that the Commission encounters as a service delivery organisation: including risks to the achievement of its objectives, and day to day corporate and operational risks.

The Commission's risk framework forms part of a much wider system of internal control to support effective Corporate Governance. The Governance Framework was approved by the Assembly Commission at its first meeting in June 2007, and has been developed and extended throughout the organisation over the course of the year. Specifically, the Commission has:

- Appointed four independent persons to advise the Commission, Executive Board and me as Chief Executive, as necessary;
- Established a Corporate Governance Committee, to advise me as Accounting Officer. One Commissioner and three of the independent advisers sit on the Committee, one as Chair. The Committee's work programme follows the best-practice model for an Audit Committee;



- Developed policies, service delivery plans, and working practices, including a Finance Forum, to support the Governance Framework;
- Undertaken regular reviews of financial performance and progress on key issues, and is now developing key performance measures to improve strategic and corporate performance reporting.

The risk framework covers the entire organisation and encourages the taking of controlled and managed risks designed to maximise new opportunities. The risk appetite sets out how we manage and report on risks, following a process of combining the impact and probability levels of residual risks. In particular:

- Risks to the Strategic Goals, and Corporate Risks, are managed by the Executive Board;
- Operational Risks are managed by Heads of Service, in liaison with their Director where necessary;
- Risks rated as Significant are managed by the Executive Board, advised by the Corporate Governance Committee, informing Assembly Commissioners where necessary.

An important Corporate Risk which has come to the fore this year is that of Information Security. I commissioned an information security review in the autumn of 2007 and a number of measures have been taken as a result, including encryption, improved guidance, and increasing awareness of information security issues and the reputational risks in any weaknesses. Work is still in hand in developing an information asset register and tracking central advice to ensure our practices meet or exceed good security standards going forward. The Chief Operating Officer is the Commission's Senior Information Risk Owner.

Work is now underway to embed the process of risk management in the day to day operational procedures building on the agreed framework. The Risk Management Forum is taking the lead on this, sharing good practice and promoting regular review of risk registers, supported by the Directors through monthly discussions with service managers.

Assembly Members

Standing Orders provide for the Commission to determine and pay the Members' salaries and allowances. The rules are set out in published 'Determinations' and supplementary notes. The Allowances Determination is based on the principle that Members are primarily responsible for identifying, claiming and certifying their own expenses and ensuring that the amounts claimed have been properly incurred in accordance with the rules.

During 2007-08 a Review Panel was established, consisting of one Commissioner and four independent members, to undertake a review of Members' pay and allowances. The Assembly Commission considered the Panel's report and published a new Determination in March 2008, largely relating to Members' pay. Arising from this work, a new Review Panel will be established during 2008-09 to



undertake a more detailed review of support for Assembly Members, and surrounding controls.

The Assembly's Commissioner for Standards is an independent person appointed by the Assembly. The Commissioner provides advice and assistance on any matters of principle relating to the conduct of Assembly Members, and is an independent investigator of complaints that Members of the Assembly have breached any Code, Protocol or resolution of the Assembly. The Commissioner is committed to: building a robust Standards regime within the National Assembly; working with all Assembly Members on all matters relating to Standards; and ensuring openness and transparency in the 'Standards' process.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, the Directors who have responsibility for the development and maintenance of the internal control framework, the Corporate Governance Committee, and comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Executive Board and the Corporate Governance Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Internal audit reports have provided assurances against the Internal Audit Strategy for the year, with agreed action plans in place to address recommendations arising. Based on the audits completed in the year, the Internal Audit Opinion gives assurance that the risk management, control and governance processes to manage the achievement of the Commission's goals are adequate and effective. The Wales Audit Office Audit Strategy for 2007-08 reflects the risks facing the Commission in producing its Accounts for 2007-08.

The core of my review of effectiveness was a self-review process, completed between November 2007 and February 2008, encompassing the Corporate Governance and Corporate Planning frameworks; leadership and business management arrangements; and, awareness of the control environment and engagement with it.

Arising from the above, Directors provided me with an Interim Assurance Statement for their area of responsibility, followed up with a final Assurance Statement at the year-end.

The review has identified the following areas for strengthening and improvement:

- Business continuity arrangements need to be documented in more detail and brought together in a cohesive plan;



- Information Security arrangements, in their broadest sense, require tightening in accordance with Cabinet Office guidance and other best practice standards;
- Whilst the governance and risk frameworks are firmly in place, further action is needed to truly embed processes and a risk aware culture. My review identified an opportunity to improve co-ordination of, and access to, guidance supporting the system of internal control, as well as improve risk reporting arrangements;
- Future focus needs to be placed on reviewing performance against plans, and of monitoring performance in key areas;
- Delivery of an improved ICT service, which places greater control with the Assembly Commission and addresses risk areas within the current contractual arrangements, has also been flagged as a key issue;
- We have planned and responded well to the increasing demands of the Third Assembly and the new legislative powers. To secure future successful delivery we will need an appropriate balance between the growing demands placed on us, resources made available to us, and increased efficiencies.

In summary, I am satisfied that the weaknesses that have been identified through the review process have been addressed, or are in the process of being addressed, and that the system of internal control has developed effectively over the course of the year.

**Claire Clancy
Chief Executive and Clerk to the Assembly**

Date: 10 July 2008



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 National Assembly for Wales Commission for the year ended 31 March 2008 under the Government of Wales Act 2006. These comprise the Statement of National Assembly for Wales Supply, the Operating Cost Statement and Statement of Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the Statement of Operating Costs by Aim and Objectives and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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

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

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

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

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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



most appropriate to the Assembly Commission's circumstances, consistently applied and adequately disclosed.

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Government of Wales Act 2006 and directions made thereunder by HM Treasury, of the state of affairs of the National Assembly for Wales Commission as at 31 March 2008, and the net cash requirement, net resource outturn, net operating cost, operating costs applied to objectives, recognised gains and losses and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with HM Treasury directions issued under the Government of Wales Act 2006; and
- the information which comprises the Management Commentary is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects, the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

Jeremy Colman
Auditor General for Wales
24 Cathedral Road, Cardiff, CF11 9LJ
15 July 2008



STATEMENT OF NATIONAL ASSEMBLY FOR WALES SUPPLY

a) Summary of Outturn 2007–08

| | | Budget | | | Outturn | | | 2007-08 £000 |
|--------------|------|--------------|--------|-----------|--------------|----------------|-----------|--|
| | Note | Gross Expend | Income | Net Total | Gross Expend | Income applied | Net Total | Net total outturn compared with estimate: saving/ (excess) |
| Revenue | 2 | 40,812 | (151) | 40,661 | 41,092 | (151) | 40,941 | (280) |
| Capital | 2 | 1,100 | - | 1,100 | 156 | - | 156 | 944 |
| Total | | 41,912 | (151) | 41,761 | 41,248 | (151) | 41,097 | 664 |

Explanations of variances between budget and outturn are provided in note 2.

b) Net cash requirement 2007-08

| | Note | Estimate | Outturn | 2007-08 £000 |
|----------------------|------|----------|---------|---|
| | | | | Net total outturn compared with estimate: saving/(excess) |
| Net cash requirement | 4 | 36,417 | 33,502 | 2,915 |

c) Summary of income payable to the Welsh Consolidated Fund

In addition to retained income, the following income of the Assembly Commission is payable to the Welsh Consolidated Fund

| | Note | Forecast 2007-08 £000 | Outturn 2007-08 £000 |
|-------|------|--------------------------|-------------------------|
| Total | 5 | - | 35 |



OPERATING COST STATEMENT

For the year ended 31 March 2008

| | Note | 2007-08 £ 000 |
|--|------|--------------------------------|
| Administration Costs | | |
| Members, Office holders and staff salary costs | 6a | 16,521 |
| Members' Other Costs | 6b | 6,600 |
| Other administration costs | 7 | <u>18,565</u> |
| Gross Administration Costs | | 41,686 |
| Operating income | 5 | (186) |
| Net Operating Cost | | <u>41,500</u> |
| All activities are continuing | | |

STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31 March 2008

| | Note | 2007-08 £000 |
|--|------|-------------------------------|
| Net loss on revaluation of fixed assets | 16a | (2,580) |
| Actuarial gain on Assembly Members' Pension Scheme | 6a | 1,714 |
| Recognised losses for the financial year | | <u>(866)</u> |



BALANCE SHEET

As at 31 March 2008

| | Note | 31 March 2008 | | 1 April 2007 | |
|--|------|---------------|---------------|--------------|---------------|
| | | £ 000 | £000 | £000 | £000 |
| Fixed Assets | | | | | |
| Tangible assets | 8 | 69,966 | | 74,891 | |
| Intangible assets | 9 | 138 | | 158 | |
| | | | 70,104 | | 75,049 |
| Current Assets | | | | | |
| Stock | 10 | 34 | | 29 | |
| Debtors | 11 | 956 | | 631 | |
| Cash at bank and in hand | 12 | 2,915 | | - | |
| | | 3,905 | | 660 | |
| Creditors (due within one year) | 13 | (5,416) | | - | |
| Net Current Assets/(Liabilities) | | | (1,511) | | 660 |
| Total Assets less Current Liabilities | | | 68,593 | | 75,709 |
| Creditors: amounts falling due after one year | 13 | | - | | - |
| Provisions for liabilities and charges | 14 | | (1,310) | | (2,586) |
| Net Assets | | | 67,283 | | 73,123 |
| Taxpayers' Equity | | | | | |
| General Fund | 15 | | 64,686 | | 69,222 |
| Pension Fund Reserve | 6a | | (1,310) | | (2,586) |
| Revaluation Reserve | 16a | | 3,896 | | 6,476 |
| Donated Asset Reserve | 16b | | 11 | | 11 |
| | | | 67,283 | | 73,123 |

Claire Clancy
Chief Executive and Clerk to the Assembly

Date: 10 July 2008



CASH FLOW STATEMENT

For the year ended 31 March 2008

| | Note | 2007-08 £000 |
|--|------------|-------------------------------|
| Net cash outflow from operating activities | 17a | (33,902) |
| Net cash outflow from investing activities | 17b | (156) |
| Payments to the Welsh Consolidated Fund | | (33) |
| Financing | 17c | 37,006 |
| Increase in cash in the period | 17d | 2,915 |

STATEMENT OF OPERATING COSTS BY AIM AND OBJECTIVES

For the year ended 31 March 2008

| | Gross | Income | 2007-08 £000 Net |
|---|---------------|---------------|---|
| Aim | | | |
| The Assembly exists to debate on issues of importance to Wales. It holds the Welsh Ministers to account, passes legislation (Assembly Measures) and authorises the use of resources. It is answerable to the people of Wales. | | | |
| Objectives | | | |
| To provide the National Assembly for Wales, or ensure the Assembly is provided with the property, staff and services required for this purpose. | | | |
| Net operating costs | 41,686 | (186) | 41,500 |

The Commission's Strategic Goals, listed within the Management Commentary on page 4, were agreed during the course of 2007-08 so a retrospective allocation of operating costs by Strategic Goal has therefore not been undertaken.



NOTES TO THE RESOURCE ACCOUNTS

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2007–08 Government Financial Reporting Manual (FReM) suitably adapted for the constitution of the National Assembly for Wales and the Assembly Commission as specified by the Government of Wales Act 2006. The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The Commission's accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

The year ending 31 March 2008 was the first accounting year for the Commission. In accordance with the Treasury direction, the accounts for 2007-08 incorporate the transactions for the Assembly Parliamentary Service from 1 April 2007 before the inception of the Assembly Commission in May 2007. There are no comparative figures for the previous financial year, except for balance sheet entries.

1.1 *Accounting convention*

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets.

1.2 *Tangible Fixed Assets*

The minimum level for capitalisation of a tangible fixed asset is £5,000 inclusive of irrecoverable VAT. The IT threshold is where the grouped value of related asset purchases exceeds £5,000. Title to all property is held by the Commission. Land and buildings are to be restated at current cost using professional valuations at a minimum of every 5 years. Other tangible fixed assets are not revalued as, in the opinion of the Commission, the amounts involved would not be material.

1.3 *Intangible Fixed Assets*

Software licences are capitalised as intangible fixed assets and amortised on a straight line basis over the expected life of the asset (3 or 5 years).

1.4 *Donated Assets*

Donated assets are capitalised at current value on receipt and are normally revalued in the same way as purchased assets. The value of donated assets is reflected in the donated asset reserve, which is credited with the value of the original donation and subsequent revaluations.

1.5 *Depreciation*

Freehold land, historic documents and records and works of art are not depreciated. Depreciation is provided at a rate calculated to write off the valuation of buildings and



other tangible fixed assets by equal instalments over their estimated useful lives. Asset lives are normally as follows:

| | |
|---|--|
| Buildings: | 50 years or an alternative provided by a qualified valuer. |
| Fixed plant: | 10 years, or an alternative provided by the supplier at the time of purchase or valuation. |
| ICT related equipment: | 3 years |
| Fixtures , fittings & office equipment: | 5 years |
| Intangible assets (software): | 3 or 5 years |
| Motor Vehicles | 4 years |
| Donated assets: | Assessed on receipt of asset |

1.6 Realised Element of Depreciation from Revaluation Reserve

Depreciation is charged on the revalued amount of assets. An element of the depreciation therefore may arise due to an increase in valuation and would be in excess of the depreciation that would be charged on the historical cost of assets. The amount relating to such an excess would be an unrealised gain on valuation, and is transferred from the Revaluation Reserve to the General Fund, if material.

1.7 Operating Cost Statement

Operating income and costs relate directly to the operating activities of the Assembly Commission. Income includes charges for goods and services provided on a full cost basis to external customers. Income and costs are shown net of Value Added Tax where it is recoverable.

1.8 Capital Charge

A charge, reflecting the cost of capital utilised by the Commission, is included in operating costs. The charge is calculated at the Government standard rate of 3.5% on the average of net relevant assets. Net relevant assets are defined as all assets less liabilities except for donated assets and cash balances with the Office of the Paymaster General. The average is calculated by adding together the balances at this year end and the previous year end, and dividing by two.

1.9 Stocks

Stocks, including goods held for resale, are stated at the lower of cost and net realisable value.



1.10 Foreign Exchange

Transactions which are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the date of each transaction. Foreign currency imprests are translated into sterling at the exchange rate ruling at the time of funding.

1.11 Pensions

The Principal Civil Service Pension Scheme (PCSPS) - Staff employed directly by the Commission and staff seconded to the Commission are eligible for membership of the Principal Civil Service Pension Scheme (PCSPS). It is an unfunded multi-employer defined benefit scheme and the Commission is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk) which comply with FRS 17.

The Assembly Members' Pension Scheme (AMPS) - A pension scheme for the Members of the Assembly was originally established under the Government of Wales Act 1998 and continues in force under the Government of Wales Act 2006. The scheme is a defined benefit scheme, and applies to the salary of members and to any office holder salary. The cost of pension cover provided for the Assembly Members is by payment of charges calculated on an accruing basis, with liability for payment of future benefits charged to the accounts of the AMPS. Any liabilities of the fund arising from a deficit on assets will be met through increased funding by the Commission. In reporting on the assets and liabilities of the Scheme, the Commission has followed the advice of the Accounting Standards Board and disclosed early adoption of the Amended Financial Reporting Standard 17. The AMPS prepares its own Annual Accounts, separate to the Commission's Accounts, and these are available on the Assembly website www.assemblywales.org.

1.12 Operating Lease Charge

Rentals payable under operating leases are charged to the operating cost statement in the period to which they relate.

1.13 Value Added Tax

The Commission is treated as a Crown Body for the purposes of the Value Added Tax Act 1994 and accordingly for the purposes of Section 41 of that Act (application to the Crown) it is treated as a government department, and is exempt for VAT on the provision of Assembly goods and services. The Commission is standard rated for VAT on its trading activities, such as the Assembly shop.



2. Analysis of net resource outturn 2007-08

| | Outturn £000 | Breakdown of Approved Budget £000 | Outturn compared with Budget £000 |
|---|-------------------|--|---|
| <u>Revenue expenditure</u> | | | |
| Members' salaries, allowances and related costs | 12,015 | 12,722 | 707 |
| Staff salaries and related costs | 10,512 | 10,570 | 58 |
| Recruitment/other HR costs | 172 | 175 | 3 |
| Training and development costs | 217 | 238 | 21 |
| Staff travel and subsistence costs | 140 | 141 | 1 |
| ICT costs | 3,568 | 3,362 | (206) |
| Accommodation and facilities costs | 7,721 | 6,741 | (980) |
| Marketing and publicity costs | 447 | 521 | 74 |
| Other administrative costs | 2,464 | 1,567 | (897) |
| Depreciation and notional interest charges | 3,836 | 4,775 | 939 |
| Gross Revenue Expenditure | 41,092 | 40,812 | (280) |
| <u>Revenue Income</u> | | | |
| Sales - the Assembly Shop | (36) | (30) | 6 |
| Accommodation rental income | (114) | (107) | 7 |
| Miscellaneous income | (1) | (14) | (13) |
| Gross Revenue Income Applied | (151) | (151) | - |
| NET REVENUE EXPENDITURE | 40,941 | 40,661 | (280) |
| CAPITAL EXPENDITURE - CREATION OF FIXED ASSETS | 156 | 1,100 | 944 |
| NET RESOURCE OUTTURN | 41,097 | 41,761 | 664 |

The net resource outturn for 2007-08 was within 1.6% of the approved budget for the year.

Explanations for significant variations from budget are as follows:

- a *Members' salaries, allowances and related costs*: the main surplus elements relate to lower than estimated salary increases for Members, and lower than estimated travel, subsistence and Assembly Members' office costs, all being demand led budgets.
- b *Information and communications technology costs*: the deficit is due to additional ICT development towards the year-end.



- c *Accommodation and facilities costs*: the deficit is as a result of a correction to the classification of projects, switching from capital to revenue spend. It is offset by a surplus against the capital expenditure line.
- d *Other Administrative costs*: the deficit is attributable to a fair-value adjustment for lower-value fixed assets. This is explained further under the notes to the Balance Sheet.
- e *Depreciation and notional interest charges*: the surplus is attributable to the actual depreciation charge for the year being lower than budgeted, due to reductions in asset values arising from revaluations and the fair-value adjustment referenced above.
- f *Capital expenditure*: as explained above, the surplus is as a result of a correction to the classification of projects, switching from capital to revenue spend. It is offset by a deficit against accommodation and facilities costs.

3. Reconciliation of resource outturn to net operating cost

| | Note | 2007-08 £000 |
|---|-------|-------------------------------|
| Net Resource Outturn | 2 | 41,097 |
| Capital expenditure | 8 & 9 | (156) |
| Income payable to the Welsh Consolidated Fund | 5 | (35) |
| Direct charges on the Welsh Consolidated Fund | | 594 |
| Net operating cost | | 41,500 |

The direct charges on the Welsh Consolidated Fund (£0.594million) are in respect of the salary costs of the Presiding Officer, Deputy Presiding Officer, Auditor General for Wales and Public Services Ombudsman for Wales. These salaries are paid by the Assembly Commission but, as a direct charge on the fund, are excluded from the net resource outturn.

4. Reconciliation of net resources to cash requirement

| | Note | Estimate £000 | Outturn £000 | Net total outturn compared with estimate: saving/(excess) £000 |
|--|--------------|--------------------------------|-------------------------------|---|
| Resource Outturn | 2 | 41,761 | 41,097 | 664 |
| <u>Accruals adjustments</u> | | | | |
| Non-cash items | See below | (5,339) | (5,424) | 85 |
| Changes in working capital other than cash | | (5) | (2,171) | 2,166 |
| Net cash requirement | | 36,417 | 33,502 | 2,915 |



Non-cash items

| | Estimate £000 | Outturn £000 | Outturn compared with estimate £000 |
|---------------------------------------|------------------|-----------------|--|
| Depreciation and amortisation | (2,348) | (1,577) | 771 |
| Fair-value adjustment to fixed assets | - | (944) | (944) |
| Cost of Capital Charges | (2,427) | (2,465) | (38) |
| FRS17 Pension Finance Cost | (564) | (438) | 126 |
| | (5,339) | (5,424) | (85) |

5. Analysis of income payable to the Welsh Consolidated Fund

| | Forecast 2007-08 £000 | Outturn 2007-08 £000 |
|---|-----------------------------|----------------------------|
| Retainable operating income | 151 | 153 |
| Non-Retainable operating income (bank interest) | - | 33 |
| | 151 | 186 |
| Amount authorised to be retained | (151) | (151) |
| Amount payable to the Welsh Consolidated Fund | - | 35 |

6a. Members and staff numbers and related costs

Staff costs comprise:

| | | | 2007-08 £000 |
|---|-------|--------------------------------|-----------------|
| | Staff | Members & Office Holders | Total |
| Salaries | | | |
| Permanent staff, Members and Office Holders | 8,257 | 4,279 | 12,536 |
| Seconded staff | 132 | - | 132 |
| Social security costs | | | |
| Permanent staff, Members and Office Holders | 616 | 400 | 1,016 |



Other pension costs

| | | | |
|---|---------------|--------------|---------------|
| Permanent staff, Members and Office Holders | 1,507 | 1,330 | 2,837 |
| Total Members, Office holders and staff salary costs | 10,512 | 6,009 | 16,521 |

The Commission pays the salary and related costs of Welsh Ministers, as set out in the Remuneration Report within these accounts. Amounts paid to the Welsh Ministers are disclosed within the Welsh Assembly Government's Consolidated resource accounts.

The average number of whole-time equivalent persons employed by the Commission across the year (including senior management) was as follows:

| | |
|-------------------------|--------------|
| Permanent Staff | 272.9 |
| Seconded Staff | 6.3 |
| Temporary/Casual Staff | 13.7 |
| Fixed Term Appointments | 1.2 |
| Total | <u>294.1</u> |

There are 60 Assembly Members. At the year-end there were 10 Office Holders (other than Ministers), 1 First Minister, 9 Welsh Ministers, 3 Deputy Ministers and 1 Counsel General.

The Commission consists of the Presiding Officer and four elected Members (see Management Commentary for detail). The role of a Commissioner was non-remunerable during 2007-08. All senior managers and staff are employees of the Commission.

Principal Civil Service Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Assembly Commission is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation is carried out every four years, with the latest as at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2007-08, employers' contributions of £1.540m were payable to the PCSPS at one of four rates in the range 17.1% to 25.5% of pensionable pay, based on salary bands (unchanged from the rates in 2006-07). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2005-06 and will remain unchanged until 2008-09. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.



Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £19,000 were paid to appointed stakeholder pension providers. Employer contributions are age-related and range from 7% to 15% per cent of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £1,000 (0.8%) 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 £2,000. There were no contributions prepaid at that date.

There were no early retirements on ill-health grounds during the year, and there were no additional accrued pension liabilities in the year.

Assembly Members' Pension Scheme

The pension scheme for Assembly Members provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Assembly Commission and are managed by an appointed Investment Manager. A full actuarial valuation was carried out at 31 March 2005 and updated to 31 March 2008 by a qualified independent actuary. The scheme is funded.

The amounts recognised in the balance sheet are as follows:

| | 31 March 2008 £000 | 31 March 2007 £000 |
|-------------------------------------|-----------------------------------|-----------------------------------|
| Present value of scheme liabilities | 12,661 | 12,859 |
| Fair value of scheme assets | 11,351 | 10,273 |
| Net liability (surplus) | <u>1,310</u> | <u>2,586</u> |
| Amount in the balance sheet | | |
| Liabilities | 1,310 | 2,586 |
| Assets | - | - |
| Net liability | <u>1,310</u> | <u>2,586</u> |

The amounts recognised in the operating cost are as follows:

| | 2007-08 £000 | 2006-07 £000 |
|----------------------------------|-------------------------|-------------------------|
| Current service cost | 1,345 | 1,263 |
| Interest cost | 738 | 622 |
| Expected return on scheme assets | (811) | (571) |
| Total cost | <u>1,272</u> | <u>1,314</u> |

Allocated in the accounts as follows:



| | | |
|---|--------------|--------------|
| Other pension costs (contributions by the Commission) | 834 | 750 |
| Pension finance cost | 438 | 564 |
| Total cost | <u>1,272</u> | <u>1,314</u> |

The amounts recognised in the Statement of Recognised Gains and Losses are as follows:

| | 2007-08 | 2006-07 |
|---|----------------|----------------|
| | £000 | £000 |
| Actual less expected return on scheme assets | (840) | (171) |
| Experience adjustments on scheme liabilities | - | (22) |
| Changes in assumptions underlying the present value of scheme liabilities | 2,554 | (1,862) |
| Total actuarial gain (loss) recognised | <u>1,714</u> | <u>(2,055)</u> |

Changes in the present value of scheme liabilities are as follows:

| | 31 March | 31 March |
|--|-----------------|-----------------|
| | 2008 | 2007 |
| | £000 | £000 |
| Opening liability | 12,859 | 8,951 |
| Current service cost | 1,345 | 1,263 |
| Interest cost | 738 | 622 |
| Contributions by Assembly Members (incl. transfers-in) | 440 | 327 |
| Actuarial losses (gains) | (2,554) | 1,884 |
| Benefits paid and expenses | (167) | (188) |
| Closing liability | <u>12,661</u> | <u>12,859</u> |

Changes in the fair value of scheme assets are as follows:

| | 31 March | 31 March |
|--|-----------------|-----------------|
| | 2008 | 2007 |
| | £000 | £000 |
| Opening fair value of scheme assets | 10,273 | 8,984 |
| Expected return on scheme assets | 811 | 571 |
| Actuarial gains and (losses) | (840) | (171) |
| Contributions by the Assembly Commission | 834 | 750 |
| Contributions by Assembly Members (incl. transfers-in) | 440 | 327 |
| Benefits paid and expenses | (167) | (188) |
| Closing fair value of scheme assets | <u>11,351</u> | <u>10,273</u> |



The Commission expects to contribute £900,000 to the Members' Pension Scheme in 2008-09.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

| | <u>2007-08</u> | <u>2006-07</u> |
|----------|----------------|----------------|
| Equities | 72% | 89% |
| Bonds | 14% | 4% |
| Cash | 14% | 7% |

The scheme assets do not contain any property directly or indirectly. The scheme assets include, indirectly through investment in unitised funds, gilts issued by the UK government with a fair value of £804,000.

The expected rate of return on equities is 3% a year higher than the yield on gilts at the reporting date. The expected rate of return on bonds is the redemption yield on the bonds held (indirectly) by the scheme at the reporting date. The expected rate of return on cash is the Bank of England base rate at the reporting date.

The actual return on scheme assets in 2007-08 was a loss of £68,000 (2006-07: gain of £400,000).

Principal actuarial assumptions at the balance sheet date:

| | <u>31 March 2008</u> | <u>31 March 2007</u> |
|---------------------------------------|--------------------------|--------------------------|
| Discount rate | 6.9% | 5.4% |
| Future salary increases | 5.2% | 5.0% |
| Future pension increases | 3.7% | 3.4% |
| Expected rate of return on equities | 7.5% | 7.8% |
| Expected rate of return on bonds | 5.5% | 4.9% |
| Expected rate of return on cash | 5.3% | 5.3% |
| Expectation of life at age 65 (years) | | |
| Men | 24.6 | 23.2 |
| Women | 27.6 | 26.1 |

Amounts for the current and previous four periods are as follows:

| | <u>31 March 2008 £000</u> | <u>31 March 2007 £000</u> | <u>31 March 2006 £000</u> | <u>31 March 2005 £000</u> |
|----------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Defined benefit obligation | 12,661 | 12,859 | 8,951 | 6,537 |
| Scheme assets | 11,351 | 10,273 | 8,984 | 5,966 |



| | | | | |
|--|---------|---------|-------|-------|
| Surplus/(deficit) | (1,310) | (2,586) | 33 | (571) |
| Experience adjustments on scheme liabilities | Nil | (22) | Nil | Nil |
| Experience adjustments on scheme assets | (840) | (171) | 1,657 | 423 |

Further information on the Assembly Members' Pension Scheme can be found in the annual report and accounts for the scheme for the year ending 31 March 2008.

6b. Members' Other Costs

Members' Other Costs of £6.6million in the operating cost statement consist of:

| | 2007-08 |
|----------------------------------|----------------|
| | £000 |
| Office Costs allowances | 768 |
| Additional Costs allowances | 440 |
| Members' Staff Costs allowances | 5,122 |
| Travel costs | 270 |
| Total other members costs | 6,600 |

7. Other Administration Costs

Other administration costs of £18.565million in the operating cost statement consist of:

| | 2007-08 |
|---|----------------|
| | £000 |
| Accommodation and facilities | 5,423 |
| Rentals under operating leases | 2,299 |
| Information and communications technology | 3,568 |
| Marketing and publicity | 447 |
| Training and development | 217 |
| Other HR/recruitment costs | 172 |
| Staff travel and subsistence | 140 |
| Other administrative expenses | 1,313 |



| | 2007-08 |
|---|----------------|
| | £000 |
| <i>Non-cash items:</i> | |
| Depreciation and amortisation | 1,577 |
| Fair-value adjustment to fixed assets | 944 |
| Cost of Capital Charges | 2,465 |
| Total other administration costs | 18,565 |

The agreed external audit cost for the audit of these statements is £49,250.



8. Tangible fixed assets

| | 2007-08 £000 | | | | |
|--|---------------------|---------------------------|-------------------------------|-----------|---------------|
| | Land & Buildings | Information Technology | Furniture and Fittings* | Vehicles | Total |
| Cost or valuation | | | | | |
| Transferred on 1 April 2007 | 66,990 | 7,350 | 2,033 | 41 | 76,414 |
| Fair Value Adjustment | - | - | (1,150) | - | (1,150) |
| At 1 April 2007 (Restated) | 66,990 | 7,350 | 883 | 41 | 75,264 |
| Additions | - | 142 | - | - | 142 |
| Disposals | - | - | - | - | - |
| Revaluations | (1,259) | - | - | - | (1,259) |
| At 31 March 2008 | 65,731 | 7,492 | 883 | 41 | 74,147 |
| Depreciation | | | | | |
| At 1 April 2007 | 718 | 393 | 391 | 21 | 1,523 |
| Fair Value Adjustment | - | - | (206) | - | (206) |
| At 1 April 2007 (Restated) | 718 | 393 | 185 | 21 | 1,317 |
| Charged in year | 667 | 756 | 110 | 10 | 1,543 |
| Disposals | - | - | - | - | - |
| Revaluations | 1,321 | - | - | - | 1,321 |
| At 31 March 2008 | 2,706 | 1,149 | 295 | 31 | 4,181 |
| Net book value at 31 March 2008 | 63,025 | 6,343 | 588 | 10 | 69,966 |
| Net book value at 1 April 2007 | 66,272 | 6,957 | 1,641 | 20 | 74,891 |

* Furniture and Fittings Includes 'donated assets', consisting of the Mace donated by the Parliament of New South Wales for the opening of the Senedd.

All the tangible fixed assets are owned by the Assembly Commission, none are finance leased. Land and buildings assets consist of the Senedd and Pierhead.

The fair value adjustment reflects a change in accounting policy for furniture and fittings assets brought forward from the previous year, removing the grouping rule where combined assets costing £5,000 or more were capitalised, to a simple £5,000



per asset capital threshold. Furniture and fittings assets not meeting the revised policy have been written out of the accounts via the fair value adjustment.

The revaluation of land and buildings was undertaken by DS Gibbon FRICS of GVA Grimley International Property Advisers, as at 31 March 2008. The Senedd was revalued at depreciated replacement cost and Pierhead was revalued at existing use value.

9. Intangible fixed assets

Intangible fixed assets comprise software licences for some of the major systems used by the Commission:

| | Total £000 |
|--|-----------------------|
| Cost or valuation | |
| At 1 April 2007 | 158 |
| Additions | 14 |
| Disposals | - |
| Revaluation | - |
| At 31 March 2008 | 172 |
| Amortisation | |
| At 1 April 2007 | - |
| Charged in year | 34 |
| Disposals | - |
| Revaluation | - |
| At 31 March 2008 | 34 |
| Net book value at 31 March 2008 | 138 |
| Net book value at 1 April 2007 | 158 |



10. Stocks

| | 31 March 2008 £000 | 1 April 2007 £000 |
|----------------------------------|-----------------------------------|----------------------------------|
| Stocks for the Commission's Shop | 34 | 29 |

11. Debtors

| | 31 March 2008 £000 | 1 April 2007 £000 |
|---|-----------------------------------|----------------------------------|
| Amounts falling due within one year: | | |
| Trade debtors | 28 | - |
| Deposits and advances | - | 1 |
| Other debtors | 4 | 4 |
| Prepayments and accrued income | 563 | 626 |
| Recoverable VAT | 356 | - |
| Amounts due from the Welsh Consolidated Fund in respect of direct charges | 5 | - |
| | 956 | 631 |

There were no debtor amounts falling due after more than one year. Included within trade debtors is £2,000 that will be payable to the Welsh Consolidated Fund on receipt. This relates to surplus income over and above the approved resource budget for the year.

12. Cash at bank and in hand

| | 2007-08 £000 |
|--|-------------------------|
| Balance at 1 April | - |
| Net change in cash balances | 2,915 |
| Balance at 31 March | 2,915 |
| The following balances at 31 March were held at: | |
| Office of HM Paymaster General | 2,461 |
| Commercial banks and cash in hand | 454 |
| Balance at 31 March | 2,915 |



13. Creditors

| | 31 March 2008 £000 | 1 April 2007 £000 |
|--|-----------------------------------|----------------------------------|
| Amounts falling due within one year | | |
| VAT | 2 | - |
| Other taxation and social security | 588 | - |
| Trade creditors | 1,401 | - |
| Other creditors | - | - |
| Accruals and deferred income | 508 | - |
| Amounts due to the Welsh Consolidated Fund | 2,917 | - |
| | 5,416 | - |

There were no creditor amounts falling due after more than one year.

14. Provisions for liabilities and charges

Under Financial Reporting Standard 17, a liability of £1.3million is recognised for the Assembly Members' Pension Scheme. Further information on this is provided under note 6. No other provisions for liabilities and charges were required during the year.

| | AM Pension Scheme £000 | 2007-08 Total £000 |
|----------------------------|---------------------------------------|-----------------------------------|
| Balance at 1 April | 2,586 | 2,586 |
| Movements in-year | (1,276) | (1,276) |
| Balance at 31 March | 1,310 | 1,310 |



15. General Fund

The General Fund represents the total assets less liabilities of the Assembly Commission to the extent that the total is not represented by other reserves and financing items.

| | 2007-08 |
|---|----------------|
| | £000 |
| Balance at 1 April | 69,222 |
| Funding from the Welsh Consolidated Fund | 36,417 |
| Direct charges on the Welsh Consolidated Fund | 594 |
| Receipts Payable to the Consolidated Fund | (35) |
| Amounts due to the Welsh Consolidated Fund at year-end - Supply | (2,915) |
| Net Operating Cost | (41,500) |
| Cost of capital charge | 2,465 |
| Transfer from the Pension Reserve | 438 |
| Balance at 31 March | 64,686 |

16. Reserves

(a) Revaluation Reserve

The revaluation reserve reflects the unrealised element of the cumulative balance of indexation and revaluation adjustments (excluding donated assets).

| | 2007-08 |
|--|----------------|
| | £000 |
| Balance at 1 April | 6,476 |
| Arising on revaluation during the year | (2,580) |
| Balance at 31 March | 3,896 |

(b) Donated Asset Reserve

The donated asset reserve reflects the net book value of assets donated to the Commission.

| | 2007-08 |
|----------------------------|----------------|
| | £000 |
| Balance at 1 April | 11 |
| Additions during the year | - |
| Revaluations | - |
| Balance at 31 March | 11 |



17. Notes to the Cash Flow Statement

(a) Reconciliation of operating cost to operating cash flows

| | 2007-08 |
|--|----------------|
| | £000 |
| Net operating cost | (41,500) |
| <i>Adjustments for non-cash transactions:</i> | |
| (Increase) in stock | (5) |
| (Increase) in debtors | (325) |
| <i>less movements in debtors relating to items not passing through the OCS</i> | 5 |
| Increase in creditors | 5,416 |
| <i>less movements in creditors relating to items not passing through the OCS</i> | (2,917) |
| Non cash items | 5,424 |
| Net cash outflow from operating activities | 33,902 |

(b) Analysis of capital expenditure and financial investment

| | | 2007-08 |
|---|------|----------------|
| | Note | £000 |
| Tangible fixed asset additions | 9 | (142) |
| Intangible fixed asset additions | 10 | (14) |
| Net cash outflow from investing activities | | (156) |

(c) Analysis of financing

| | | 2007-08 |
|---|------|----------------|
| | Note | £000 |
| From the Welsh Consolidated Fund (Supply) | 16 | 36,417 |
| From the Welsh Consolidated Fund (direct charges) | 16 | 589 |
| Net financing | | 37,006 |



(d) Reconciliation of Net Cash Requirement to increase/(decrease) in cash

| | Note | 2007-08 £000 |
|---|------|-------------------------------|
| Net cash requirement | 4 | (33,502) |
| From the Welsh Consolidated Fund (Supply) | 17c | 36,417 |
| Increase in cash | | 2,915 |

18. Capital commitments

There are no contracted capital commitments at 31 March 2008.

19. Commitments under leases

(a) Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

| | 2007-08 £000 |
|---|-------------------------------|
| Obligations under operating leases comprise: | |
| Land and buildings: | |
| Expiry within 1 year | - |
| Expiry after 1 year but not more than 5 years | 66 |
| Expiry thereafter | 2,086 |
| | 2,152 |
| Other – printers and copiers: | |
| Expiry within one year | - |
| Expiry after 1 year but not more than 5 years | 95 |
| Expiry thereafter | - |
| | 95 |



(b) *Finance leases*

There are no obligations under finance leases.

20. Other financial commitments

Three of the Commission's contracts (which are not leases) are deemed non-cancellable, due to the nature of the contractual arrangements. The contracts relate to the provision of ICT support and services to the Assembly, and to managed servers for the HR and Finance systems used by the Commission. The payments to which the Commission is committed at the year-end, analysed by the period during which the commitment expires are as follows.

| | 2007-08 |
|--|----------------|
| | £000 |
| Obligations under non-cancellable contracts comprise: | |
| Expiry within 1 year | - |
| Expiry after 1 year but not more than 5 years | 79 |
| Expiry thereafter | 4,000 |
| | 4,079 |

The Commission's other contracts make reference to early termination but do not quantify charges for such. Early termination would be a breach of contract and the contractor would be entitled to damages representing the loss of profit on the work which would have been done under the contract if it had run its full course. As this figure is variable for each contract, such contracts have not been included in this note.

21. Financial Instruments

The Commission does not issue or trade in financial instruments such as loans and has no borrowings. It relies primarily on funding from the Welsh Consolidated Fund for its cash requirements, and is therefore 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 risk.

22. Contingent liabilities

Assembly Member Support Staff had contractual rights to have the equivalent of 10% of gross annual salary contributed towards a pension, but not all have exercised this right. Liability continues until six years after cessation of employment, and is estimated as follows:



| | Amount outstanding at 31 March 2008 £000 | Amount outstanding at 31 March 2007 £000 | Amount paid out in 2007-08 £000 | Comments |
|--|--|--|---|----------|
| Pension contributions for AM Support Staff who: | | | | |
| Are currently employed under contracts commenced prior to 1 May 2003 | 29 | 12 | - | Possible |
| Have left employment without ever joining a pension scheme and where employment commenced after 1 May 2003 | 43 | 47 | - | Remote |

The Assembly Commission has not entered into any quantifiable or unquantifiable contingent liabilities through giving guarantees, indemnities or letters of comfort.

23. Losses and special payments

The number and value of losses and special payments made during 2007-08 are as follows:

(a) Losses Statement

| 2007-08 | No. of cases | Value £000 |
|--------------------|-----------------|---------------|
| Total | 7 | 6 |
| Fruitless payments | 4 | 1 |
| Ex-gratia | 1 | 4 |
| Compensation | 2 | 1 |
| Store losses | 41 | - |

During 2007-08 there were no cash losses, claims abandoned, or administrative write-offs.



(b) Special Payments

| | No. of cases | Value £000 |
|-------|---------------------|-------------------|
| Total | 1 | 42 |

24. Related-party transactions

The Commission has a number of transactions with the Welsh Assembly Government and with other government departments and public bodies, including HM Revenue & Customs. Additionally, regular transactions take place with the Assembly Members' Pension Scheme, see note 6. Standing Orders of the National Assembly for Wales require the Assembly, on a motion proposed by the Commission, to elect Trustees to the Members' Pension Scheme.

The Assembly may give special or general directions to the Commission for the purpose of, or in connection with, the exercise of the Assembly Commission's functions.

No Commissioner, senior manager or other related party has undertaken any material transactions with the Commission during the year. For transparency, the following two minor transactions are reported:

- A payment of £260.00 was paid to University of Wales, Bangor, for travel reimbursement. Lord Ellis Thomas AM is president of the University.
- A payment of £48.00 was paid to Murchfield Community Association for the hire of a hall. Christopher Franks AM is a member of this Association.

The Commission determines the salaries and allowances of all Assembly Members and office holders, and the salary and conditions policies for Commission staff. The Commissioners, as Assembly Members, may employ family members as their support staff; there are no restrictions in place relating to the employment by the Commission of family members of Commissioners or senior management.

A Register of Financial and Other Interests of Assembly Members is available at www.assemblywales.org and www.cynulliadcymru.org.