



Office of the Secretary of State for Wales (Wales Office)

Annual Report and Accounts 2018-19



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(For the year ended 31 March 2019)

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1 The Performance Report

Ministerial Foreword

Ensuring Wales is fit for the future has been my key objective over the last three years. During 2018-19, our work has helped prepare Wales for a future that is bright and optimistic and ready to deal with any challenge we may face.

In the last year we have embarked on international trade missions to the US, South Africa, Japan, Hong Kong, Qatar, Kuwait and France. Flying the flag of Wales far and wide. On the visit to South Africa we created the UK-Africa Consortium. An industry forum that comprises of several Welsh businesses who are helping reach the Government's target as the largest investor into Africa out of the G7.

Every trade mission has served to showcase our people and businesses to the world. They have demonstrated that Wales not only creates products and services for the international market but that it is an open and competitive economy and business environment that is attractive for inward investment.

Those businesses, industries and services based in Wales play a vital role in the UK's economy and in strengthening our Union. From the supply chain networks that stretch across the United Kingdom and help companies such as Aston Martin, Airbus and Toyota finish their world leading products in St Athan, Broughton and Deeside, to those who commute across the border every day to their places of work.

Our work has been to help create an environment of preparedness and opportunity that will encourage further investment, high paying jobs, skill creation and drive innovation throughout Wales.

Delivering on a key manifesto commitment to scrap the Severn tolls has aided these objectives. When barriers and borders are removed economic benefits are always quick to follow and we know that this act will see an additional £1 billion enter the Welsh economy over the next decade and save commuters and businesses thousands of pounds each year.

This Department's essential work on our Growth and City Deals, the link with the Northern Powerhouse and our very own Western Powerhouse are further examples of how we are working towards greater cross-border cooperation and regional development.

Our Growth and City Deals which have been created alongside the Welsh Government and local authorities now cover 100 per cent of Wales and will deliver real and long-term growth to their respective regions. Locally driven, and nationally supported these deals are the key to unlocking new investment and providing opportunity across our country.

This work is key to strengthening our Union. From regional powerhouses that cross borders to strengthening businesses that rely on supply chains across the country we remain focussed on ensuring that Wales is part of the Union and playing a key role in its success.

As we look at the year ahead I remain confident that Wales is prepared and ready to face the challenges that come our way. Through engagement with our expert panels, the Welsh Government and providing support to our stakeholders I believe we can continue to strengthen our position and deliver for Wales.

The quality and effort of this Department's work has never been in any doubt and I look forward to a productive and successful year ahead. May I take this opportunity to thank my Ministerial team, Kevin Foster MP, Lord Bourne and Glyn Davies MP and all of you for your support and hard work.

Rt Hon. Alun Cairns
Secretary of State for Wales

Director's Introduction

Putting together our Annual Report and Accounts presents an ideal opportunity to reflect on the year that has passed, the challenges it presented and how the Department responded. This is the seventh 'Director's Introduction' I have written, and I have often remarked on how amazed I am that a department of this size has been able to accomplish what it has. This year is no different and, if anything, the team here has raised its performance still higher in its efforts to promote and protect Welsh interests.

The work around EU Exit has stretched every department and the Office of the Secretary of State for Wales has been no exception. We have played our full part in the discussions, deliberations and planning that has taken place, and that alone is a significant achievement. However, this Annual Report also sets out a range of activity across areas such as trade, investment, research and development, city and growth deals, transport, digital, culture and legislation that when taken together marks this out as an exceptional year.

None of this would be possible without a team of highly skilled and committed individuals, dedicated to doing their best for Wales. It is a privilege to lead them.

Glynne Jones
Director

Departmental Overview

The Department's Strategy Overview sets out our work under three objectives:

The Office of the Secretary of State for Wales (*'the Office'*) supports the Secretary of State for Wales in promoting Welsh interests within a strong United Kingdom. We are the face of the UK Government in Wales and the voice of Wales across Whitehall.

Our on-going goal is to support the Union of the United Kingdom. Linked to this is a more immediate goal; to ensure that Wales is in the strongest possible position as the UK leaves the European Union.

Our three key objectives to support these priorities are:

Objective 1 - Stronger Economy and Global Britain: support a strong, outward looking Welsh economy

Ensuring UK trade and foreign investment policy delivers for Wales

Over the past year, the Department has supported the Secretary of State for Wales through:

- promoting Welsh businesses and supporting their attempts to break into new markets;
- attracting and securing investment for key sectors, including automotive and nuclear;
- helping secure overseas capital investment for infrastructure projects to regenerate and improve communities across Wales.

In April, the Secretary of State visited Kuwait and Qatar, meeting businesses and Government Ministers from both Gulf states. The visit concluded with the Secretary of State joining Qatar Airways' first direct flight from Doha to Cardiff, following months of joint-working between the UK and Welsh governments.

In August, the Secretary of State, accompanied two Welsh businesses as they joined the Prime Minister on her trade mission to South Africa. During the visit the Secretary of State also built on cultural and social links between our two countries.

In November, he visited southern China to promote investment opportunities in Wales. The visit took in China's fastest growing high-tech hub, Shenzhen, where he engaged with innovative global companies. The visit was used as an opportunity to promote the world's first compound semiconductor cluster in south east Wales.

During the same month, the Board of Trade met at Swansea University. As well as showcasing Swansea's innovation and expertise, the UK-wide 'Energy Portfolio' was launched, a capital investment initiative it features key projects including the Morlais Marine Energy Facility on Anglesey and the Penrhos Coastal Holiday Resort. The meeting was a notable success with eight Welsh businesses being presented with Board of Trade Awards for exporting successes.

International engagement continued in February when the Secretary of State visited Japan's three largest economic regions – Tokyo, Nagoya and Kyoto/Osaka – to speak with important investors. During the visit, the Secretary of State gave support and reassurance on EU exit to leading businesses, including Panasonic, Toyota, Hitachi and Sony.

At MIPIM, the world's largest property and investment festival, held in Cannes, the department joined with the department for International Trade to launch a 'Welsh Capital Investment Portfolio'¹. The portfolio includes key opportunities, from a number of local authority areas across Wales, which are keenly seeking out international investment.

Throughout the year, the Department has provided input into the development of the UK's future trade policy post-EU Exit. We have also been championing Welsh sector interests during the development of 'Day One No Deal Tariffs', and supporting the continuity of important trade agreements.

Delivering UK Government infrastructure investment

The Department continues to work closely with the Department for Transport, Network Rail and the Welsh Government to progress six 'Strategic Outline Business Cases' looking at potential enhancements to Wales' rail infrastructure.

These are looking at improving:

- station provision in and around Swansea - including a new Parkway facility;
- journey times from Swansea and West Wales to Cardiff, Bristol and London;
- line speeds on the North Wales Coast Main Line;
- journey times between Wrexham and Bidston;
- line speeds on the relief lines between Cardiff and Severn Tunnel Junction;
- Cardiff Central Station.

¹ The six projects in the Wales Portfolio launched at MIPIM are: Nell's Point, Barry; Milford Haven Waterfront; Morlais Marine Energy, Anglesey (previously launched in the UK Energy Portfolio); Penrhos Coastal Holiday Resort (previously launched in the UK Energy Portfolio); Central Quay, Cardiff; and Swansea Centre Phase 2.

Cardiff Central Station has successfully progressed to Outline Business Case and we continue to develop the other cases in partnership with stakeholders.

This year a joint-venture between Keolis and Amey took over the operation of the Wales and Borders rail service and development of a South Wales Metro, in partnership with Transport for Wales. This followed joint-working between the UK Government and the Welsh Government to deliver on a commitment to devolve powers for the rail franchise as per recommendations made by the Silk Commission.

The Office commissioned Professor Stuart Cole CBE, Emeritus Professor of Transport at the University of South Wales, to produce a report assessing the benefits and costs of a West Wales Parkway station at Felindre in Swansea. The report concludes that such a station would deliver major journey time savings for passengers travelling from Wales, reduce congestion on major roads and provide improved connectivity throughout the region. A West Wales Parkway Working Group has now been developed, involving the Welsh Government, local authorities and other stakeholders.

On roads, we are working with the Department for Transport and the Welsh Government to ensure that cross-border connectivity is strategically improved as part of the UK Government's next Roads Investment Strategy.

In December 2018, after working with colleagues from across UK Government, we delivered on the Government's manifesto commitment to abolish the Severn Crossings tolls. A key priority for the Secretary of State, the scrapping of the charges was welcomed by businesses and local stakeholders from across south Wales and the south west of England.

Maximising the contribution that Wales can make to meeting the UK's energy needs is a key priority for the Office:

Last November, the Government launched the Nuclear Sector Deal after consultation between government and industry. The Office worked closely with the Department for Business, Energy and Industrial Strategy (BEIS) on the launch, which took place at Trawsfynydd in north Wales. Trawsfynydd is vying to be home of new Small Modular Reactors (SMRs) and the Government has committed to supporting the research and development of SMRs.

After Hitachi's announcement that they were suspending their involvement in the Wylfa Newydd project, the Secretary of State held a roundtable event on Anglesey within 24-hours of the announcement to discuss the project with local and regional stakeholders.

The Office is continuing to work with BEIS to examine a Regulated Asset Base (RAB) model that can support Welsh infrastructure projects. Horizon Nuclear Power committed to continuing the Development Consent Order (DCO) process after the suspension announcement. This demonstrates the positive light in which, despite the financial setbacks, the site at Wylfa Newydd is regarded and the support that the UK Government has been able to offer in this regard.

Making sure that Wales benefits from the exciting digital initiatives that the Government is delivering across the UK is a key objective for the Office. We have worked with the Department for Digital, Culture, Media and Sport on highlighting opportunities for Welsh localities in accessing investment.

Following the launch of a fund to boost horizontal spaceport development across Britain, the Office has been working with officials from across UK Government, the UK Space Agency and the Welsh Government to see how sites across Wales, including Snowdonia, can benefit from this funding and help grow their aerospace ambitions.

Ensure UK economic policy works for Wales

At the Budget, we announced £120 million for the North Wales Growth Deal. This announcement has allowed us to continue to work at pace on the Deal. Our focus has been to prioritise the refinement of proposals to ensure that they are robust and truly transformational for communities across the region.

We continue to work closely with partners in the Cardiff Capital Region to provide an investment fund and support electrification of the Valley Lines. The region has started to develop an investment pipeline and a new streamlined investment framework, which will prioritise the City Deal funding into three areas:

- *Innovation and Investment* – high return on investment projects which enable this fund to become ‘evergreen’ through leveraging much higher levels of private sector involvement;
- *Infrastructure* – concentrating on enabling infrastructure that allows business to flourish such as broadband and investments supporting a South Wales Metro;
- *A Challenge Fund* – which can be bid into and could potentially match-fund other UK Government funding.

Our focus for the Swansea Bay City Region Deal, to which UK Government has contributed £115 million so far, has been to support the region in developing their business cases to unlock the promised funding. Alongside the Welsh Government we commissioned an independent review into the deal. Both governments have jointly accepted all of its recommendations. We are working closely with the region to rapidly progress the Yr Egin and Swansea Digital District projects for approval.

We are continuing to work with partners to establish a Mid Wales Growth Deal. Councils across the region have responded positively and are working in partnership to formulate a transformational set of proposals.

The UK Government continues to ensure that Wales remains a competitive place for investment in defence industries. Defence procurement in Wales increased to £960 million in the 2017-18 financial year, up from £946 million in 2016-17. Notable successes include; MoD Sealand being awarded a £500

million contract from the US Department of Defense as part of the global F35 programme and a £250 million, 11-year contract to support the RAF's Shadow aircraft fleet at Broughton, securing 200 jobs.

The Office continues to ensure that Wales benefits from the UK's modern Industrial Strategy. The advancement of clean growth in our construction sector led to £36 million of funding for the Active Building Centre in Swansea and £10 million funding was announced for the city's SUSTAIN Manufacturing Centre. The hub will see steelmakers and university experts work together on a seven-year research programme to make the UK iron and steel industry carbon-neutral by 2040.

We also continue to support world leading innovative approaches, such as that taken by Riversimple, based in Llandrindod Wells, through £1.25 million support to develop and test hydrogen cars. The UK Government also contributed £9.3 million for zero emission buses to be rolled out in Cardiff, Caerphilly and Newport.

Two Welsh bids were successful in the early stage 'Strength in Places' funding. CS Connected is a Cardiff University-led bid to grow a local compound semiconductor cluster. Cyber Wales and West aims to build on Wales and south west England's capability as a centre for cyber research and development further.

The Office, together with other UK Government departments, Welsh Government and local industry and business leaders, have continued to develop the "Western Powerhouse" concept. The vision is to create a cross-border economic region encompassing south Wales and the south west of England that helps to promote the strengths of the region and attract inward investment.

Objective 2 - EU exit: ensure Wales's interests are fully represented as we exit the EU

Ensure effective stakeholder engagement on EU exit and more widely

The Office has further strengthened its engagement with stakeholders in Wales to provide a voice at the centre of the UK Government for business, universities, the third sector, farming unions, local authorities and the Welsh public. We have worked closely with other UK Government departments and the Welsh Government to ensure the views of stakeholders in all parts of the country feed into the work on EU exit.

The Office continues to support Ministers and officials from across the UK Government in giving evidence to the National Assembly for Wales. This has included providing evidence to the Assembly's Constitutional and Legislative Affairs Committee as part of its inquiry into the European Union (Withdrawal) Bill. Our officials also supported the Parliamentary Under-Secretary of State at the Department for Exiting the European Union and the Minister for the

Constitution who gave evidence to the Assembly's External Affairs and Additional Legislation Committee.

In October, the Parliamentary Under-Secretary of State at the Department for Exiting the European Union and the Minister of State for Trade Policy separately gave evidence to the Assembly's External Affairs and Additional Legislation Committee on matters relating to the UK's exit from the EU. Officials supported the Ministers at both sessions.

The Secretary of State for Wales gave evidence to the Welsh Affairs Select Committee twice during the year, including jointly with the Parliamentary Under-Secretary of State at the Department for Business, Energy and Industrial Strategy as part of the Committee's inquiry into the Wylfa Newydd nuclear power station.

The Secretary of State's EU Exit Expert Implementation Panel has continued to meet regularly throughout the year. The remit of the Panel has expanded to focus on wider issues around EU exit, including the implementation period and how common frameworks should be developed and implemented and continuing discussions on the Shared Prosperity Fund.

The Secretary of State also convened joint meetings of his EU Exit Expert Implementation Panel and Economic Advisory Board. Throughout the year the Office has facilitated engagement between other UK Government departments and key Welsh stakeholders on EU exit related matters. In November officials from BEIS and HM Treasury met with Welsh stakeholders and explored their views on the UK internal market post-exit.

This year also saw the first stakeholder event on EU exit hosted jointly by the UK Government and the Welsh Government. In June, the Secretary of State for Wales and the Welsh Cabinet Secretary for Energy, Planning and Rural Affairs, chaired a meeting of stakeholders from the farming, fishing and environment sectors in Wales. The session examined issues including how powers returning from the EU should be exercised in future; how such frameworks could best operate in practice and how stakeholders are preparing for EU exit in Wales.

The Office led a strengthened UK Government presence at the Royal Welsh Show. For the first time, the Government hosted its open event space demonstrating our strong support for Wales's agricultural, food and business sectors. Our presence gave rural industries and members of the public the chance to speak directly to Ministers and officials and find out more about the work of various Government departments on EU exit. Later in the year, the Office also supported a visit to the Royal Welsh Winter Fair by the Prime Minister and the Secretary of State for Wales.

The Office has supported visits by UK Ministers to Welsh ports, reflecting their contribution to the wider UK economy and importance to the Government's plans for EU exit. In June the Secretary of State for Wales visited the South Hook LNG terminal at Milford Haven, reflecting the port's status as a key energy port for the UK. In October, the Office supported a visit to the Port of Holyhead by

the Parliamentary Under-Secretary of State for Exiting the European Union to provide reassurance about the port's continuing crucial importance to trade with Ireland after we leave the EU.

Ministers have also continued their regular dialogue with police and crime commissioners and chief constables in Wales and with the Executive Director of HM Prisons and Probations Service in Wales throughout the year on a range of issues helping to ensure the single legal jurisdiction works effectively for Wales.

We have engaged extensively with stakeholders in Wales on the design of the UK Shared Prosperity Fund. The Office has hosted roundtable events in Cardiff with representatives of specific sectors in Wales, including the third sector, universities and local authorities, so that the upcoming public consultation on the Fund is guided by their thoughts and concerns. The Office also held an engagement event with stakeholders from North Wales in St Asaph in January.

Ensure legislation on EU exit reflects the interests of Wales and the UK

The Office worked closely with other parts of the UK Governance Group and DExEU to engage with the Welsh Government during the passage of the European Union (Withdrawal) Bill (now the European Union (Withdrawal) Act 2018). The Act provides for the repeal of the European Communities Act 1972 on exit day, converts EU law into domestic law and provides temporary powers to correct deficiencies in retained EU law. The Act also significantly increases the powers of the devolved administrations as powers currently controlled by the EU are returned to the UK.

The Secretary of State for Wales was fully engaged in discussions at Ministerial level to secure Welsh Government support for the Bill, including at the JMC (European Negotiations) and in bilateral discussions. These discussions reached a successful conclusion with the National Assembly for Wales granting consent (through an LCM) on 27 April for those parts of the Bill within devolved competence. This was supported by an Inter-Governmental Agreement and Memorandum on the Bill and the establishment of common frameworks signed on 25 April by the UK Government and the Welsh Government. The Agreement committed the governments to work together to ensure the Bill and associated secondary legislation creates a fully functioning statute book across the UK on exit from the EU and to continue to work together to create future common frameworks where they are necessary. The Memorandum provided further detail on how the Agreement will be put into operation by the governments. The European Union (Withdrawal) Act 2018 gained Royal Assent on 26 June.

We have worked extensively with colleagues from other Government departments and the Welsh Government on legislation relating to EU exit in the first parliamentary session to ensure it fully reflects the interests of Wales and the UK as a whole and takes full account of the Welsh devolution settlement.

We have worked on:

- The Agriculture Bill, which makes provision for future agriculture policy when we leave the EU. The Office worked closely with colleagues in the Department for the Environment, Food and Rural Affairs to ensure the Welsh Government could support the Bill. The Government and Welsh Government published a joint statement on how provisions in the Bill which relate to the World Trade Organisation (WTO) agreement on Agriculture will operate.
- The Healthcare (European Economic Area and Switzerland Arrangements) Act 2019, which confers powers on UK Ministers to enshrine in domestic law bilateral agreements on reciprocal healthcare with the EU, an individual EEA member state or Switzerland. These powers could apply under either a Deal or No Deal scenario. The Office fully supported the Department for Health and Social Care in working to secure Welsh Government support for the Bill. The UK Government, Welsh Government and Scottish Government agreed a memorandum of understanding under which UK Ministers will consult the devolved administrations before making regulations under the Act in respect of devolved healthcare matters. The Assembly gave its legislative consent to the devolved aspects of the Bill in March.
- The Fisheries Bill, which provides the legislative framework for the UK to set its own independent, sustainable fisheries policy once we leave the Common Fisheries Policy. The Bill provided the opportunity to clarify the Welsh devolution boundary by extending the Assembly's legislative competence to the whole of the 'Welsh zone'. This gives the Assembly a clear basis to scrutinise Welsh Ministers' exercise of their fisheries functions in Welsh waters. The Office worked closely with the colleagues in the Department for the Environment, Food and Rural Affairs and the Welsh Government to agree this change to the Welsh devolution settlement.
- The Office has been closely engaged in the development and the passage of the Trade Bill. This included working with the Department for International Trade and the other Territorial Offices to consider the necessary scrutiny of future trade agreements' mandates and negotiations and the scope and remit of the new Trade Remedies Authority. The Office continues to be closely involved as this work progresses.

The Office has also worked closely with other Government departments and the Welsh Government to deliver the large amount of secondary legislation needed to ensure a functioning statute book on exit day. The Secretary of State for Wales has committed to the UK Government and the Welsh Government working together to resolve a number of detailed technical issues with the Welsh devolution settlement that this work has highlighted. We have also engaged closely with the Welsh Government to prepare an Order in Council under section 109 of the Government of Wales Act 2006 to make necessary modifications to Schedules 7A and 7B to the Act in light of EU exit. The draft

Order will need approval from both Houses of Parliament and the Assembly and we expect to bring it forward during 2019-20.

In October, the Government made two key announcements on financial support for farmers when the UK leaves the EU, demonstrating our confidence in the future of British farming and support for farmers in Wales and across the UK.

First, the Secretary of State for the Environment, Food and Rural Affairs announced that the Barnett Formula will not apply to Wales's agricultural funding after the UK exits the EU (nor to agricultural funding in Scotland or Northern Ireland). The announcement that future agricultural funding will not simply be Barnettised was well received by the Welsh farming community and demonstrates the Government working for all parts of the UK.

The Secretary of State also announced that the Government would hold an independent review on factors to take into account in the allocation of domestic farm support from 2020 to the end of this Parliament. The review will make sure that farmers in each part of the UK get a fair deal when we leave the Common Agricultural Policy. Lord Bew of Donegore chairs the review and the Director of the CLA Cymru ensures there is strong Welsh representation on the panel.

Objective 3 - United Nation: deliver a clearer and sustainable devolution settlement

Ensure the new model of Welsh devolution works effectively.

The new reserved powers model of Welsh devolution, put in place by the Wales Act 2017, came into force on 1 April alongside the majority of new powers devolved under that Act². The Office published a new Devolution Guidance Note 'Parliamentary and Assembly Legislation Affecting Wales³' to accompany the coming into force of the new model. This guidance sets out how officials in UK Government departments should work with the new reserved powers model when developing policy and taking forward legislation. Following publication, our officials held seminars across Whitehall and in Wales to ensure colleagues fully understand how to work with the new devolution settlement.

The Welsh Ministers (Transfer of Functions) Order 2018 was made on 23 May. The Order helped deliver the Government's commitment to a clearer Welsh devolution settlement by transferring remaining Minister of the Crown functions in devolved areas to Welsh Ministers. This includes 'pre-commencement' functions (those exercisable by Ministers of the Crown in devolved areas before the Assembly gained full law-making powers on 5 May 2011) and Minister of the Crown functions in areas devolved in the Wales Act 2017. The Order also delivered a commitment made in the St David's Day Agreement to clarify the UK Government and the Welsh Government's respective responsibilities for civil

² Powers over fracking and energy generation came into force on 1 October 2018 and 1 April 2019 respectively.

³ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/701462/DGN_-_Parliamentary_and_Assembly_Primary_Legislation_Affecting_Wales.pdf

contingencies in Wales. Most of the functions in the Order were transferred on the day it was made but functions relating to teachers' pay and conditions were transferred on 30 September.

Welsh Government Bonds

In November the Secretary of State made the Government of Wales Act 2006 (Variation of Borrowing) Order 2018. The Order delivered a commitment made in the St David's Day Agreement to extend the borrowing powers of Welsh Ministers by enabling them to issue bonds to borrow for capital expenditure. This provides the Welsh Government with more flexibility to decide the sources of borrowing it can pursue.

Wales Act 2014

In December, the Secretary of State for Wales published the fourth report on the progress made to implement fiscal provisions in the Wales Act 2014. The Act requires that the Secretary of State and the Welsh Ministers each report annually on progress to Parliament and the Assembly. The fourth report details the work done to ensure the successful introduction of devolved taxes⁴ on 1 April and the arrangements being made for the introduction of Welsh Rates of Income Tax in April 2019.

Support Welsh cultural interests in Wales and the UK

In August, the Secretary of State for Wales attended the National Eisteddfod at Cardiff Bay, underlining his personal interest in the festival and the UK Government's support for the Welsh language more generally. The Secretary of State also promoted use of the Welsh language in the House of Commons, including in giving evidence to the Welsh Affairs Committee.

In June, the Secretary of State attended the Armed Forces Day in Llandudno - the first time the event had been held in Wales since 2010 when it was staged in Cardiff. The event was also attended by Her Royal Highness Princess Anne, The Princess Royal (representing the Queen and the Royal Family), the Prime Minister and the Secretary of State for Defence. The event attracted over 20,000 people who gathered to watch parades, displays and a record number of flypasts.

The Secretary of State attended the service at Amiens Cathedral in France to mark the centenary of the Battle of Amiens and the subsequent "Hundred Days Offensive" which was a decisive point in World War One. To mark the centenary of the end of the First World War, the Secretary of State delivered a reading on Armistice Day as part of a service at Llandaff Cathedral which was aired on S4C. The Parliamentary Under-Secretary of State (Commons) represented the Government at the opening of the Welsh National Field of Remembrance at Cardiff Castle on November.

⁴ The Land Transaction Tax and the Landfill Disposals Tax have replaced Stamp Duty Land Tax and Landfill Tax in Wales respectively.

In the same month, the Secretary of State for Digital, Culture, Media and Sport and the Parliamentary Under-Secretary of State (Lords) jointly opened Yr Egin, the new headquarters of S4C in Carmarthen. The UK Government invested £10 million to secure the relocation of S4C's headquarters, and the visit reflected the UK Government's commitment to Welsh language broadcasting and to seeing the Welsh language flourish.

During their visit the Ministers jointly hosted a creative roundtable with stakeholders from the cultural sector in Wales. The roundtable discussed the achievements of the creative industries in Wales and the UK Government's commitment to supporting the sector through the Creative Industries Sector Deal.

The Office worked closely with the Department for Digital, Culture, Media and Sport (DCMS) on the appointment of new trustees to the board of S4C. These appointments help ensure the continuing strong governance of S4C and that the interests of Welsh language and culture remain paramount in S4C's operation. The Office also worked closely with DCMS on a range of other public appointments in Wales, such as the chair of the Royal Commission for Ancient and Historic Monuments and Sport Wales.

For the third year running the Office played a pivotal role in Wales Week in London, which took place from 23 February to 9 March. We hosted four successful events with established and new partners. The annual St David's Day event at 10 Downing Street was a key success, allowing the Office to engage with stakeholders across a variety of sectors. A reception held at the Foreign and Commonwealth Office saw the Secretary of State for Wales and the Welsh Minister for International Relations join ambassadors from around the world to celebrate Wales and strengthen relationships.

The Office also hosted events at the London Stock Exchange, where the Secretary of State marked St David's Day by opening the start of trading, and the Barbican Centre, where the Secretary of State hosted a reception for the Welsh cultural sector.

The Office supported the Football Association of Wales in its bid to UEFA to host matches in the Euro 2020 tournament. Whilst the bid was unsuccessful, it helped to promote Wales as a host nation for international sporting events.

The Office also worked closely with DCMS on planning matches in Wales as part of the Cricket World Cup which is due to take place in June 2019.

Promote and strengthen the Union and Wales's role within it

The Office has continued to act as the centre of expertise within Government on the Welsh devolution settlement. Throughout the year Ministers and officials have provided a strong voice for Wales within Whitehall, engaging with their counterparts in other Government departments to contribute to the development of UK Government policy at an early stage. In doing so we have ensured that any policy implications for Wales are actively considered.

Officials have continued to engage in key interdepartmental fora, such as the Devolution Network, which provide valuable opportunities to discuss emerging issues with devolution teams in other departments.

More widely, the Office has worked to ensure that Wales is at the centre of departments' thinking on the Union. As part of this we have worked closely with other departments as they update their devolution engagement plans, ensuring that plans appropriately champion Wales's interests.

Throughout the year we have also worked to co-ordinate visits by Ministers across Government that demonstrate the Government's commitment to Wales and to the Union. The Environment Secretary joined the Secretary of State for Wales at the Royal Welsh Show in July, experiencing the very best of Welsh food, farming and rural life. In September the Chancellor visited Swansea to announce more than £36 million of UK Government funding for Swansea University (through the Industrial Strategy Challenge Fund) to support cutting-edge building materials which generate electricity. In January the Secretary of State for Wales and the Parliamentary Under-Secretary of State (Commons) welcomed the Secretary of State for Defence on his first visit to Wales. The visit provided an opportunity to inspect some of the Welsh bases contributing to the UK's vital defence capabilities.

Renaming the Second Severn Crossing

The Second Severn Crossing was renamed the Prince of Wales Bridge in an official ceremony on 2 July. His Royal Highness, The Prince of Wales and the Duchess of Cornwall attended the ceremony in Newport and were welcomed by the Secretary of State for Wales and the First Minister of Wales.

The Secretary of State announced the decision to rename the crossing as a tribute to His Royal Highness in a year which saw him mark 60 years as The Prince of Wales and as a celebration of all past princes of Wales. The decision to rename the Second Severn Crossing was supported by the Welsh Government.

The Royal couple were first hosted on a tour of the Severn Crossing toll office by the Secretary of State, meeting Highways England staff who were responsible for the Crossings since they returned to public ownership in January 2018. The party then travelled to the Celtic Manor Resort for a celebratory reception, where The Prince of Wales unveiled a ceremonial plaque to mark the official renaming.

Finance and Governance

The delivery of our three policy objectives above is underpinned by six principles of efficiency and good corporate governance. They are: -

- providing value for money and managing costs effectively;

- ensuring good financial management, responding accurately and promptly to correspondence;
- maintaining a competent, highly motivated workforce;
- managing information effectively; and
- creating a pleasant working environment.

We put these principles into practice in carrying out our key corporate activities.

Finance

The Department's 2018-19 budget was set in the 2015 Spending Round.

Of the £15.166 billion Welsh settlement, the Office's allocation for 2018-19 was around £5.0 million, which was spent largely on staff and accommodation, and other Departmental responsibilities such as the reimbursements of Lord Lieutenants of Wales. The remainder of the settlement (£15.161 billion) was allocated to the grant to the Welsh Consolidated Fund.

The Office arranges the transfer of grant payments to the Welsh Consolidated Fund but precisely how that money is spent and on what is a matter for the Welsh Government and National Assembly. The Welsh Government is accountable to the National Assembly for Wales for its use of resources and the Auditor General for Wales is responsible for the audit of those resources.

Efficiency

To help deliver the Department's objectives and challenges the Office continues to manage its work efficiently and effectively, in accordance with good governance principles and providing value for money to the taxpayer.

The Office is fully committed to sharing services and expertise with the other Territorial Offices and Government departments wherever possible to with a view to exploiting all available opportunities to secure efficiencies and strengthen our resilience. To date a shared parliamentary unit has been established with the other Territorial Offices and a shared freedom of information requests (FOI) service with the Northern Ireland Office.

In respect of accommodation, the Department has tenants (the Greater London Lord Lieutenancy and Independent Commission for Aid Impact) in the London office and the Cabinet Office in the Cardiff office which generated rental income in 2018-19 of £100k for the Department and makes more efficient use of our accommodation. We are also in regular discussions with the Government Property Unit (GPU) over its hubs programme and have agreed in principle to move into the new UK Government Hub in central Cardiff on its completion in 2020.

As a small department, the Office takes a cost effective and pragmatic approach to the provision of our internal corporate services, maintaining

existing Ministry of Justice (MoJ) framework arrangements and contracts in areas such as security, facilities management, IT and financial services. These arrangements and contracts realise significant benefits to the Department in terms of economies of scale and expertise to the Department.

Pension Liabilities

Details of how pension liabilities are treated in the Office's accounts are disclosed in the Remuneration and Staff Report and Accounting policy note 1.8.

Transparency

Transparency, accountability and openness are at the heart of the Office's core values. We continued to publish a substantial amount of information on gov.uk, including:

- spending over £500;
- gifts given and received by Ministers (and by the Special Advisers);
- Ministerial overseas travel; and
- hospitality received by Ministers and the Special Advisers.

During 2018-19 we dealt with 172 Freedom of Information (FOI) requests as set out below.

Description	Number
FOI requests received, Of which:	172
Responses replied to within 20 working days or within permitted extension	171 (99%)
Internal Review of our response requested	8
Response referred by requestor to the Information Commissioner	0

Our Parliamentary performance over 2018-19 is summarised below:

Target	Actual %
100% of named day questions answered on time	94%
100% of ordinary written questions answered on time	100%

Our performance in handling correspondence during 2018-19 was:

Target	Actual %
100% Correspondence dealt with within 15 days	83%

Political and Charitable Donations

The Office did not make any political or charitable donations in 2018-19.

Anti-Fraud and Whistleblowing

The Office has robust arrangements in place for the prevention and detection of fraud and is committed to the highest possible standards of openness, honesty and accountability. Our arrangements follow the principles outlined in the Managing Public Money and the Civil Service Employee Model Whistleblowing Policy.

There were no reported cases of fraud or whistleblowing during the reporting period.

Accommodation and Capital works

The Department's main office is Gwydyr House, on Whitehall, which was originally a Georgian town house, and is a Grade II* listed building. We obtain our professional advice and support from both the MoJ estates team and from our own managing agents, to ensure that we meet the statutory building regulations and that we are compliant with health and safety, heritage and other relevant legislation. We have a rolling programme of maintenance in place for Gwydyr House that recognises its special status and requirements, and we continuously seek to provide a safe working environment for our staff, Ministers and visitors.

In addition, the Department also rents office space (accommodating around 46% of its staff) in Wales, located in Cardiff Bay near the National Assembly for Wales and key stakeholders. As set out on the previous page, the Office is planning to move to the new UK Government hub in central Cardiff in 2020.

Both our offices meet the requirements of the Disabilities Act.

Health and Safety

The Office recognises its obligations under Health and Safety at Work legislation for ensuring, so far as is reasonably practicable, the development of an effective health and safety regime.

During 2018-19, there were no accidents reported to the relevant authorities.

Sustainable Development

This sustainable development report has been prepared in accordance with 2018–2019 guidelines laid down by HM Treasury in ‘Public Sector Annual Reports: Sustainability Reporting’ published at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/772723/Sustainability_report_19.pdf

The focus is on achieving government targets, reducing environmental impact and reducing costs. Priorities include reducing carbon emissions, water consumption and sending waste to landfill.

The Department occupies Gwydyr House in London. It also occupies part of Caspian Point in Cardiff Bay but shared occupations are not accounted for due to the limitations of extrapolating reliable sustainability data from service charges supplied by landlords.

Governance, responsibilities and internal assurance

The Departmental Board regularly monitors the Department’s environmental performance.

Commitments on Environmental Impacts

The Greening Government Commitments, launched on 1 April 2011, require Departments to take action to significantly reduce environmental impact. These commitments can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/585344/greening-government-commitments-overview-reporting-requirements-2016-2020.pdf

The Department’s Carbon Reduction Commitment is managed by the Ministry of Justice. The Office is committed to reducing its environmental impact by:

- a. increasing the range of items that can be collected for recycling in both of our buildings;
- b. replacing printers with more energy efficient models; and
- c. using public transport where possible rather than cars when travelling to meetings.

C02 Emission Tonnes					
	2014/15	2015/16	2016/17	2017/18	2018/19
Air travel	0.63	3.56	5.09	36.01	31.42
Rail travel	10.07	10.12	16.06	15.56	16.29
Car mileage	1.91	0.38	1.21	1.92	2.34
Gas heating	10.76	16.77	18.81	23.59	19.70
Electricity	31.63	26.59	21.82	26.68	23.42
Waste	0.87	0.32	0.18	0.11	0.04
Total Co2 (tonnes)	55.87	57.74	63.17	103.87	93.21
Water consumption cubic metres*	2224	1972	6271	385	212

* The consumption of water decreased in 2017-18 due to the repair of a water leak from the previous year and the consumption based on actual meter usage rather than estimated as in the previous year.

Where the Office draws on services supplied by the Ministry of Justice or under contract to them, our contribution to Government commitments on environmental impact and sustainability are met within those wider frameworks.

Financial Review

In 2018-19 the Office spent £14.6billion within Parliamentary Supply Estimates (Spring Supplementary Estimate), primarily as a grant to the Welsh Consolidated Fund.

Financial Performance

Parliament votes funds to departments on two occasions during the year by means of a *Main Estimate* at the start of the year and a *Single Supplementary Estimate* in February.

Movements in Estimate provision during 2018-19

At the start of the year the Department was voted £14.5billion in its Main Estimate. By the final Single Supplementary Estimate, this had increased to £15.2billion largely due to a £607,355,000 increase in funding for the Welsh Consolidated Fund (WCF).

Explanation for variances between Estimate and Net Resource Outturn

Wales Office Resource

Spending in Department Expenditure Limits		Outturn £000	Estimate £000	(Overspend)/ Under spend £000	Percentage of estimate %
A	Wales Office	4,633	4,915	282	5.7

The underspend of £282k against the Estimate is mainly attributable to unavoidable delays in recruiting new staff throughout the year, lower spend than expected on expenses for Lord Lieutenants and unused non- cash budget and contingency funds.

Wales Office - Capital

Spending in Department Expenditure Limits		Outturn £000	Estimate £000	(Overspend)/ Under spend £000	Percentage of estimate %
A	Wales Office	18	30	12	40

The outturn of capital expenditure incurred was at a lower level than initially expected resulting in a small underspend against the modest budget.

Grant payable to the Welsh Consolidated Fund

Spending in Department Expenditure Limits	Outturn £000	Estimate £000	(Overspend)/ Under spend £000	Percentage of estimate %
Welsh Consolidated Fund	14,582,040	15,161,478	579,438	3.8

Statement of Financial Position

The net assets at 31st March 2019 is £5.0m (2017-18 £4.9m). The significant balances on the Statement of Financial Position are: -

- Property, plant and equipment £5.6m: - This principally comprises the London accommodation of the Wales Office (Gwydyr House) at £5.5m;
- Financial Assets £74.9m are loans issued from the National Loans Fund (NLF) to the Welsh Government. In 2018-19, a new capital loan (£65m) was issued to the Welsh Government from the NLF under the Government of Wales Act 2006*. The NLF interest and capital payments amounts are balanced by corresponding amounts in receivables and payables.

* Under Section 122a of the Government of Wales Act 2006 (GOWA) the Welsh Government can borrow up to £1bn for capital expenditure.

Reconciliation of net resource expenditure between Estimates, budgets and accounts

	2018-19 £000	2017-18 £000
Net Resource Outturn (Estimates)	14,586,680	14,134,973
Adjustments to remove non- budget items		
Grants to the Welsh Consolidated Fund	(14,582,040)	(14,130,162)
Other		
Total Resource Budget Outturn	4,640	4,811
Of which		
Departmental Expenditure Limit (DEL)	4,633	4,805
Annually Managed Expenditure Limit (AME)*	7	6
Adjustments include		
Grants to devolved administrations – Wales	14,582,040	14,130,162
Consolidated Fund Extra Receipts in the OCS		
Net Operating Cost (Accounts)	14,586,680	14,134,973

* AME relates to an increase in provision for leasehold dilapidation costs. See Note 12.

Glynne Jones
Accounting Officer

27 June 2019

2 The Accountability Report

Corporate Governance Report

Directors' Report

Ministers, Directors and Senior officials

Ministers/Directors/Senior officials
Rt Hon Alun Cairns MP – Secretary of State for Wales
Nigel Adams MP† – Parliamentary Under-Secretary of State for Wales from 5th November 2018
Mims Davies MP†† – Parliamentary Under-Secretary of State for Wales from 19th July to 5th November 2018
Stuart Andrew MP†† – Parliamentary Under-Secretary of State for Wales to 19th July 2018
Lord Bourne of Aberystwyth††† – Parliamentary Under-Secretary of State for Wales
Alison White – Lead Non-Executive Board Member (NEBM) from 1st July 2018
Isobel Garner – Lead Non-Executive Board Member (NEBM) to 30th June 2018
Tom Jones – NEBM
Glynne Jones – Director
Geth Williams – Deputy Director, Constitution and Corporate Services
Robin Healey – Deputy Director Policy to 31st January 2019
Michael Dynan-Oakley – Deputy Director, Private Office
Ashok Ahir – Deputy Director, Press and Communications from 2nd July 2018
Sarah Stoney* – Deputy Director Legal

Notes

- † On the 5th November 2018 following a Cabinet reshuffle Nigel Adams MP was appointed Parliamentary Under-Secretary of State for Wales replacing Mims Davies MP.
- †† On the 19th July 2018 following a Cabinet reshuffle Mims Davies MP was appointed Parliamentary Under-Secretary of State for Wales replacing Stuart Andrew MP.
- ††† Lord Bourne holds his role as Parliamentary Under Secretary of State jointly with his Parliamentary Under Secretary of State role at the Ministry of Housing, Communities and Local Government.
- * Sarah Stoney is on loan from the Government Legal Department (GLD). She is a member of the Office's Senior Leadership Team but is not a member of the Departmental Board.

The Office had two non-executive board members (NEBM) – Alison White (lead NEBM replacing Isobel Garner from 1st July 2018) and Tom Jones (NEBM). Details of all the Office’s committees and membership are outlined in the “Governance Statement” (page 28).

Security and information security

The Office does not handle a large volume of sensitive or personal data, but nonetheless is committed to ensuring the information it does hold is handled and protected correctly and that we are compliant with the appropriate standards.

Information assets and risks are identified and controls are in place to manage their use, which are regularly reviewed. We make use of a training package provided through the Civil Service Learning (CSL) to train all staff annually in information assurance and data handling issues.

There were no security incidents reported during 2018-19.

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Office to prepare, for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Office and of its net resource outturn, the application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- Observe the Accounts Direction issued by HM Treasury, including 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 Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- Prepare the accounts on a going concern basis.

HM Treasury has appointed the Director of the Office of the Secretary of State for Wales as Accounting Officer of the Office.

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 and for safeguarding the assets of the Office, are set out in *Managing Public Money* published by the HM Treasury.

Statement on the disclosure of relevant audit information

The Office's Accounts have been prepared on a statutory basis in accordance with the requirements of HM Treasury and are designated to comply with generic Accounts Directions issued to departments by HM Treasury under the section 5 (2) of the Government Resources and Accounts Act 2000.

The financial statements are audited by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament on the audit examination. Auditors' remuneration and expenses are disclosed at Note 3 to the accounts. During the reporting year no payment was made to the auditors for non-audit work (2017-18: £nil).

To the best of the Accounting Officer's and Director's knowledge, there is no relevant audit information of which the Office's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Office's auditors are aware of that information.

The Accounting Officer/Director hereby confirms that the annual report and accounts as a whole are fair, balanced and understandable, and that he takes personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and understandable.

Governance Statement

As the Director of the Office, I am also its Accounting Officer (AO). In accordance with the responsibilities assigned to me in my appointment letter, and as set out in Managing Public Money, I am charged with the governance of the Office.

As Accounting Officer, I am responsible to Parliament for the stewardship of the resources within the Office's control and for their management, and also have responsibility for maintaining a sound system of internal controls.

The governance framework comprises the systems and processes, and the culture and values, by which the Office is directed and controlled and how it is accountable to Parliament. It covers the process by which Ministers and senior management monitor the achievement of its objectives and considers whether the activities of the Office have led to the delivery of appropriate, cost-effective outcomes.

The Office's Governance Statement sets out the governance structures, the internal controls and risk management procedures that have operated within the Office during the financial year 2018-19 and up to the date of when the Annual Report and Accounts are laid in Parliament.

Ministerial responsibilities

The Secretary of State for Wales provides political direction to the Office and is accountable to Parliament. He is supported by two Parliamentary Under-Secretaries of State for Wales: one in the House of Commons and one in the House of Lords, and by a small team of civil servants led by the Director of the Office.

Ministers lead departments and are responsible and accountable to Parliament for the actions and policies of their departments. Boards, within the strategic framework set by Ministers, support the head of the Department by advising Ministers and providing advice about the Department's performance. Ministers and board members are responsible for corporate governance, which defines the rights and responsibilities of different stakeholders, determines rules and procedures for making decisions, and includes the process by which the Department's objectives are set and monitored.

Corporate Governance Structures

The management of the Office is overseen by the Departmental Board which was established in September 2015 and meets up to six times in a financial year. The Board is chaired by the Secretary of State or the Director at meetings where Ministers are not present.

The Departmental Board is responsible for providing advice about the Department's strategic direction (aims and objectives) in accordance with policies decided by Ministers, scrutinising the business plan and ensuring that

the office has the capability and capacity to deliver the business plan, to meet current and future needs.

The Board supports the Secretary of State in delivering his responsibilities to Parliament. Details of the membership of the Board is shown below.

In 2018-19, the Departmental Board reviewed and agreed updates to, and monitored progress of, the updated Departmental strategy, and the strategic Risk Register, which continue to reflect the Department's priorities, objectives, and key activities.

A review of the governance arrangements of the Department was undertaken by the Lead Non-Executive Board Member (NEBM) in 2019. The results of her review were that the Board is considered to have improved its effectiveness in recent years, but there are a number of areas where further improvement is required. The areas included: -

- Enhancing clarity of the role of the Departmental Board and its understanding of, and influence over, strategy, business plans, resources and performance of the Department;
- Enhancing relationships between, and improvement in the understanding of the work of, the Audit and Risk Assurance Committee and the Departmental Board.

The Secretary of State held regular bilateral meetings with the Director to discuss policy, strategy and Departmental issues.

Attendance at the Departmental Board during the year is shown in the table below:

Departmental Board

Members	No. of Eligible Meetings Attended
*Rt Hon Alun Cairns MP Chair Secretary of State for Wales	1 of 2
*Nigel Adams MP † Parliamentary Under-Secretary of State for Wales from 5th November 2018	0 of 1
*Mims Davies MP †† Parliamentary Under-Secretary of State for Wales to 5th November 2018	1 of 1
*Stuart Andrew MP †† Parliamentary Under-Secretary of State for Wales from 9th January 2018	0 of 0
*Lord Bourne of Aberystwyth ††† Parliamentary Under-Secretary of State for Wales	0 of 2
Alison White – Lead NEBM from 1st July 2018	3 of 4
Isobel Garner – Lead NEBM to 30th June 2018	1 of 1
Tom Jones – NEBM	4 of 5
Glynne Jones – Director	5 of 5
Geth Williams – Deputy Director, Constitution and Corporate Services	5 of 5
Ashok Ahir – Deputy Director, Press and Communications	3 of 3
Robin Healey – Deputy Director, Policy to 31st January 2019	4 of 4
Michael Dynan-Oakley – Deputy Director, Private Office	5 of 5

Notes

- * Ministers are scheduled to attend two Board meetings a year. .
- † On the 5th November 2018 following a Cabinet reshuffle Nigel Adams MP was appointed Parliamentary Under-Secretary of State for Wales replacing Mims Davies MP.
- †† On the 19th July 2018 following a Cabinet reshuffle Mims Davies MP was appointed Parliamentary Under-Secretary of State for Wales replacing Stuart Andrew MP.
- ††† Lord Bourne holds his role as Parliamentary Under Secretary of State jointly with his Parliamentary Under Secretary of State role at the Ministry of Housing, Communities and Local Government.

Committees Reporting to the Departmental Board

The Audit and Risk Assurance Committee (ARAC): - The ARAC is chaired by the Lead NEBM, and comprises one other NEBM and another independent member. The independent member has been in post for two years. The Committee operates in accordance with the Treasury's Audit Committee Handbook and meets quarterly. The Committee undertook a full evaluation of its own effectiveness in March 2019 seeking views from its members. The view was that the Committee was operating successfully in most aspects of its role, and was influential in advising the Accounting Officer on risks and assurances, despite the challenges on business as usual as a result of EU Exit related activities.

Some of the issues considered by the Audit and Risk Assurance Committee (ARAC) during the year included:

- the Department's risk registers and governance processes;
- Annual Report and Accounts;
- National Loan Fund Accounts; and
- Internal and External Audit reports

Attendance at the Audit and Risk Assurance Committee during the financial year was as follows:

Audit and Risk Assurance Committee

Members	No. of Meetings Attended
Alison White - Lead NEBM, Chair from 1st July 2018	3 of 3
Isobel Garner - Lead NEBM, Chair to 30th June 2018	1 of 1
Tom Jones - NEBM	4 of 4
Sam Hartley ¹ - Independent Member	4 of 4

Footnotes

Note 1: Sam Hartley is currently the Secretary to the Independent Commission on Civil Aviation Noise. He was appointed to the Committee in January 2017.

Other Committees

The Office also has a Health and Safety (H&S) Committee with a remit to advise the Board on ensuring that the Office provides a healthy and safe work environment for its staff, Ministers and visitors.

The Health and Safety Committee, chaired by the Head of Corporate Services, met once during 2018-19. It considered a range of issues, including accident at work statistics and staff training as fire wardens and first aiders.

Risk identification and management

The Office's system of internal control is designed to identify business risks and mitigate them in accordance with the risk appetite defined by the Board. It is based on a continuous process designed to identify and prioritise risks to the achievement of Departmental objectives, to evaluate the likelihood of those risks being realised and their potential impact, and to manage them efficiently, effectively and economically.

The robustness of this system continues to be illustrated by the Department's management of its key strategic risks. In 2018-19 these have included the risks of: -

- Failure to support work on the UK's exit from the EU, and in particular the engagement between the UK Government and Welsh Government on exit;
- Failure to support the UK Growth agenda in Wales and work co-operatively with the Welsh Government to help deliver economic growth in Wales;
- Failure to ensure the reserved powers model of Welsh devolution operates effectively; and
- The Office is unable to provide adequate or suitable resources to deliver Government's commitments on Wales.

The Office has strong controls in place to mitigate these risks. For example, on the key risk of failure to support work on the UK's exit from the EU, and the engagement between the UK and Welsh Government's on exit. The Office is fully engaged in work on EU Exit led by the Department for Exiting the European Union (DEXEU) and the Cabinet Office (CO) and senior officials of the Office attend all Whitehall meetings relating to EU exit. Our Ministers have been engaging directly with stakeholders in Wales on exit and the Secretary of State (SoS) attends bilateral meetings between UK Ministers and the First Minister reviewing progress. Relations with the Welsh Government on exit matters are generally good with engagement on statutory frameworks, in preparation for the Withdrawal Agreement Bill and other EU exit legislation being broadly positive.

The Wales Office secured additional resource, and created additional posts, to focus on exit work, and Officials remain engaged in exit scenario planning, working alongside other Government Departments.

Capacity to handle risk

Risks were identified and articulated both at a strategic and an operational level by the Departmental Board and at working level by the teams within the four divisions. The branch risk registers underpinned and fed into the overarching Departmental Risk Register which was reviewed at every Departmental Board meeting.

The Departmental Board also regularly reviewed its approach to risk management to ensure that key risks had been identified and appropriate and proportionate measures were in place to manage the level of risk to an acceptable level. The Board took assurance from the Senior Leadership Team on the effectiveness of the controls to manage operational risk and the Audit and Risk Assurance Committee (ARAC) on the effectiveness of the risk management framework.

The Audit and Risk Assurance Committee (ARAC) scrutinised the handling of key risks at its quarterly meetings, and took a more in-depth look at selected individual risks and how they were managed.

Risk and control framework

The Office had in place a Risk Management Policy Framework and Strategy, approved by the Board. The Policy clearly outlines its procedures, and the promotion of a transparent and accountable culture to support consistent, timely and effective risk management across the Department.

The effectiveness of the risk management arrangements was supported by the work of the internal auditors, the senior managers who had responsibility for the development and maintenance of the internal control framework, the Audit and Risk Assurance Committee and the recommendations made by the National Audit Office in its management letter and other reports.

Assurance Statements

Each Deputy Director, signs an annual assurance statement providing assurance to the Accounting Officer on governance, risk management and the operation of internal controls within their business areas. This year, all the statements were additionally reviewed by the Chair of the ARAC as part of the governance review.

No significant concerns were identified as part of the end of year assurance statement process

Internal Audit

HM Treasury mandate that internal audit must give a year end assurance on the effectiveness of a department's governance, risk and control. The Internal

Audit assurance is one of the key sources of evidence underpinning the Accounting Officer's Governance Statement.

The Internal Audit assurance is based on internal audit work performed over the course of the year, combined with knowledge of the governance, risk and control framework gained through attendance at meetings and discussions with senior management. Internal audit services are provided by the Government Internal Audit Agency, which works in accordance with Public Sector Internal Audit Standards. Its work is informed by its analysis of the risks to which the Department is exposed and the annual audit plan is based on that analysis. The plan is discussed and endorsed by the Audit and Risk Assurance Committee and then agreed with the Accounting Officer.

The 2018-19 internal audit plan included: Recruitment and Retention, Crisis Management, Stakeholder Communications and Budget Management.

The Head of Internal Audit annually provides an independent opinion on the adequacy and effectiveness of the Department's governance, risk and control arrangements. The Internal Audit reviews contribute to that opinion.

The Internal Audit opinion for 2018-19 reported a good level of control and found no significant control issues. It is in this context that the Head of Internal Audit was able to give a moderate level of assurance that the Office's overall risk, control and governance framework is adequate to enable the achievement of its objectives and that the key risks are being effectively managed.

Compliance with the Corporate Governance Code

The Office took full account of HM Treasury's guidance "Corporate Governance in Central Government Departments" (April 2017) in adapting and strengthening its processes to reflect its status as a stand-alone Department. This was however done on a scale proportionate to its size, budget and function (to provide policy support and advice to Ministers rather than to deliver programmes or services directly to the public). Areas where the Department does not currently fully comply with the guidance are limited to:

- Numbers of NEBMs. After due consideration by the Director, Departmental Board and the Audit and Risk Assurance Committee, and following discussions with Internal Audit and National Audit Office, the Department decided not to increase the number of its NEBMs. It is felt the current membership is proportionate to the size of the Department (around 45 staff). The two NEBMs in post during 2018-19 brought extremely valuable skills and experience which are particularly relevant to the Office. The lead NEBM is a qualified accountant and an experienced chair and independent member of audit and risk committees, including during the past year, the Animal and Plant Health Agency and Queen Elizabeth 2nd Conference Centre. The second NEBM was a farmer from Wales and currently serves as one of the UK members on the European Economic and Social Committee, and is also Vice President of the Wales Council for Voluntary Action.

- To ensure that the Audit and Risk Assurance Committee comprises at least three members, an official from the Independent Commission on Civil Aviation Noise serves as an independent member.
- Membership of the Board should include the Finance Director: - Due to the size of the Office, and ensuring the balance of membership between Ministers and Officials, the Head of Finance is not a member of the Board but attends all Board meetings in an advisory capacity.

Security and information security

This is covered in the Director's Report. Please see page 24.

Information Risk and Assurance

Information Assets

The Office does not directly provide services to the public and does not maintain large databases of personal data. There are limited personal data holdings in the form of personnel and finance records, and correspondence from members of the public and Members of Parliament (MPs), Assembly Members (AMs) and Peers. Other information held by the Department includes corporate and policy papers, and Cabinet Committee papers.

The Office completed all actions required to ensure that it was compliant with the European General Data Protection Regulation (GDPR) which came into effect on 25 May 2018.

Management Information

The Board and Audit and Risk Assurance Committee receives quality management information about the performance of the Office to enable them to assess, challenge and drive improvements as required.

Risks and their Management

Given the limited holdings of sensitive information, the Office does not carry a degree of risk that requires extensive or special management strategies.

Outcomes during 2018-19

There were no data losses during 2018-19.

Summary report from the Chair of the Audit and Risk Assurance Committee

Based on its work over this reporting period (1st April 2018 to 31st March 2019) the Committee is able to provide reasonable assurance on the adequacy of audit arrangements for the Agency and on the assurances provided to the Accounting Officer in respect of the governance, risk management and control arrangements. It is also able to provide assurance that the processes in place to produce the financial accounts for the Office are sound.

Assessment of system of internal control

On the basis of this review, I can give assurance that the system of internal control in the Office is adequate to achieve the Department's objectives. This is given on the basis that, where exposure to risk has been identified, either action has been taken to address the risk or the nature of the risk is fully understood and accepted.

Glynne Jones
Accounting Officer

27 June 2019

Remuneration and Staff Report

Remuneration Report

In accordance with the requirements of Schedule 7A to the Companies Act 1985 (as amended) only certain sections of the Remuneration Report have been subject to full external audit.

The following sections are all subject to audit: ministers' remuneration, Board members' remuneration, pay multiples, fees paid to Non-Executive Board Members, ministers' pensions, pension benefits, Board members' pension benefits, compensation for loss of office, staff costs, reporting of Civil Service and other compensation schemes and average number of persons employed.

Remuneration Policy

The remuneration of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries.

The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament (MPs) and their allowances; on Peer's allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

In reaching its recommendations, the Review Body has regard to the following considerations:

- the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services including the requirement on Departments to meet the output targets for the delivery of Departmental services;
- the funds available to Departments as set out in the Government's Departmental Expenditure Limits; and
- the Government's inflation target.

The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations.

Further information about the work of the Review Body can be found at www.ome.uk.com

Board members and senior civil servants remuneration

The Office is not a direct employer. All staff are either employed by the Ministry of Justice or on loan from other Government Departments. The salaries of Senior Civil servants are determined in line with the Cabinet Office Senior Civil Service (SCS) Reward policy.

Service Contracts

The Constitutional Reform and Governance Act 2010 require 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

Ministers' salaries and pension entitlements

The salaries, taxable benefits in kind and pension entitlements of Ministers are shown in the following tables. Salary figures include all allowances payable by the Office, whereas full-year equivalents are calculated net of allowances, bonuses and ex gratia payments.

In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP (£77,379 from 1 April 2018) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures below.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. No Minister in the Office of the Secretary of State for Wales received benefits in kind in 2018-19 or 2017-18.

Remuneration (salary, benefits in kind and pensions)

Single total figure of remuneration								
	Salary		Benefits in Kind (to nearest £100)		Pension benefits to nearest £1000 ¹		Total (to nearest £1000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
The Rt Hon Alun Cairns MP, Secretary of State	67,505	67,505	nil	nil	15,000	19,000	83,000	87,000
Nigel Adams MP, Parliamentary Under Secretary of State (from 5th November 2018) [†]	nil	n/a	nil	nil	nil	n/a	nil	n/a
Mims Davies MP, Parliamentary Under Secretary of State (from 19th July 2018 to 5th November 2018) ^{††}	nil	n/a	nil	nil	nil	n/a	nil	n/a
Stuart Andrew MP, Parliamentary Under Secretary of State (to 19th July 2018) ^{††}	nil	nil	nil	nil	nil	nil	nil	nil
Lord Bourne of Aberystwyth, Parliamentary Under Secretary of State ^{†††}	nil	nil	nil	nil	nil	nil	nil	nil

Notes to the table:

1. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

[†] On the 5th November 2018 following a Cabinet reshuffle Nigel Adams MP was appointed Parliamentary Under-Secretary of State for Wales replacing Mims Davies MP.

^{††} On the 19th July 2018 following a Cabinet reshuffle Mims Davies MP was appointed Parliamentary Under-Secretary of State for Wales replacing Stuart Andrew MP.

^{†††} Lord Bourne holds his role as Parliamentary Under Secretary of State jointly with his Parliamentary Under Secretary of State role at the Ministry of Housing, Communities and Local Government.

The remuneration costs for both Parliamentary Under-Secretaries of State are borne by the Consolidated Fund and the House of Lords respectively.

Pension Benefits					
Ministers	Accrued Pension at age 65 as at 31 March 2019 £000	Real increase in pension at age 65 £000	CETV at 31 March 2019 £000	CETV at 31 March 2018* £000	Real increase/decrease in CETV £000
The Rt Hon Alun Cairns MP, Secretary of State	0-5	0-2.5	57	41	7
Nigel Adams MP, Parliamentary Under Secretary of State (from 5th November 2018)	nil	nil	nil	n/a	nil
Mims Davies MP, Parliamentary Under Secretary of State (from 19th July 2018 to 5th November 2018)	nil	nil	nil	n/a	nil
Stuart Andrew MP, Parliamentary Under Secretary of State (to 19th July 2018)	nil	nil	nil	nil	nil
Lord Bourne Aberystwyth, Parliamentary Under Secretary of State	nil	nil	nil	nil	nil

Notes to the table:

- * The factors for calculating CETVS were changed by the Government Actuary Department in November 2018. Therefore, the CETV figure for the start of the period (31st March 2018) does not correspond with the CETV figure published for the 31st March 2018 in the 2018-19 Annual Report and Accounts. Where n/a: reflects there is no previous information published.

Ministerial Pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015, available at:

<http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc>.

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). A new MP's pension scheme was introduced from May 2015, although members who were MPs and aged 55 or older on 1 April 2013 have transitional protection to remain in the previous MP's final salary pension scheme.

Benefits for Ministers are payable from State Pension age under the 2015 scheme. Pensions are re-valued annually in line with Pensions Increase legislation both before and after retirement. The contribution rate from May 2015 is 11.1% and the accrual rate is 1.775% of pensionable earnings.

The figure shown for pension value includes the total pension payable to the member under both the pre- and post-2015 Ministerial pension schemes.

The Cash Equivalent Transfer Value (CETV)

This 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated 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.

The real increase in the value of the CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

Board Members' salary and pension entitlements

Salary' includes gross salary; performance pay or bonuses; 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 accrued payments made by the Office and thus recorded in these accounts.

Salary figures include all allowances payable by the Department, whereas full year equivalents are calculated net of allowances, bonuses and ex gratia payments. Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2018-19 relate to performance in 2017-18 and the comparative bonuses reported for 2017-18 relate to performance in 2016-17.

The Board Members were supported by the Head of Finance and Corporate Services who attends all meetings of the Departmental Board and Audit and Risk Assurance Committee.

The salaries, bonuses taxable benefits in kind and pension entitlements for Board Members are shown in the following tables: -

Single total figure of remuneration										
Officials	Salary (£000)		Bonus payments (£000)		Benefits in kind (to nearest £100)		Pension benefits to nearest £000) ²		Total (£'000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Glynne Jones, Director	90-95	85-90	nil	10-15	nil	nil	43,000	22,000	130-135	120-125
Geth Williams, Deputy Director, Constitution and Corporate Services	70-75	70-75	nil	5-10	nil	nil	27,000	18,000	95-100	95-100
Ashok Ahir, Deputy Director, Press and Communications (from 2nd July 2018) †	55-60	n/a	nil	n/a	nil	n/a	22,000	n/a	75-80	n/a
Allan Ross, Deputy Director, Press and Communications (to 9th March 2018) ††	n/a	70-75	n/a	nil	n/a	nil	n/a	22,000	n/a	95-100
Robin Healey, Deputy Director, Policy (to 31st January 2019) †††	55-60	65-70	5-10	nil	nil	nil	29,000	22,000	95-100	85-90
Michael Dynan-Oakley, Deputy Director, Private Office ††††	80-85	70-75	nil	nil	nil	nil	152,000	54,000	230-235	120-125

Notes to the table:

2. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.
- † Ashok Ahir joined the Department as Deputy Director, Press and Communications on the 2nd July 2018. His full time equivalent salary in 2018-19 is in the range of £70k to £75k.
- †† Allan Ross left the Department on the 9th March 2018. His full time equivalent salary in 2017-18 was in the range of £75k to £80k.
- ††† Robin Healey left the Department on the 31st January 2019. His full time equivalent salary in 2018-19 is in the range of £70k to £75k.
- †††† Michael Dynan-Oakley is on loan from the Department of Work and Pensions.

Non – Executive Directors

Remuneration	Salary exc bonuses (including allowances (£000))		Benefits in kind (to nearest £100)		Total (£000)	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Alison White, Audit Committee Chair (from 1st July 2018) *	5-10	n/a	nil	n/a	5-10	n/a
Isobel Garner, Audit Committee Chair (to 30th June 2018)**	0-5	10-15	nil	nil	0-5	10-15
Tom Jones, Non-Executive Director	5-10	5-10	nil	nil	5-10	5-10

* Alison White was appointed Chair of the Audit Committee on the 1st July 2018. Her full time equivalent salary in 2018-19 was in the range £10k to £15k.

** Isobel Garner stood down from the role as Chair of the Audit Committee on the 30th June 2018. Her full time equivalent salary in 2018-19 was in the range £10k to £15k.

Pension Benefits

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2019	Real increase in pension and related lump sum at pension age at 31 March 2019	CETV at 31 March 2019	CETV at 31 March 2018	Real increase/decrease in CETV
	£000	£000	£000	£000	£000
Glynne Jones, Director	35 - 40 plus a lump sum of 85 - 90	0 - 2.5 plus a lump sum of 0 - 2.5	711	608	26
Geth Williams, Deputy Director, Constitution and Corporate Services	25 - 30 plus a lump sum of 65 - 70	0 - 2.5 plus a lump sum of 0	511	444	16
Ashok Ahir, Deputy Director, Press and Communications (from 2nd July 2018)	0-5	0-2.5	15	0	11
Allan Ross, Deputy Director, Press and Communications (to 9th March 2018)	n/a	n/a	n/a	223	n/a
Robin Healey, Deputy Director, Policy (to 31st January 2019)	15 - 20 plus a lump sum of 35 - 40	0 - 2.5 plus a lump sum of 0 - 2.5	277	224	14
Michael Dynan-Oakley, Deputy Director, Private Office	35 - 40 plus a lump sum of 95 - 100	5 - 7.5 plus a lump sum of 15 - 17.5	745	550	128

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic, premium or classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.

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, nuvos and alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in **PCSPS or alpha** – as appropriate. Where the official has benefits in both the **PCSPS and alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from 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 4.6% and 8.05% for members of **classic, premium, classic plus, nuvos and alpha**. 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 for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their 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. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. 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 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of 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 0.5% 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**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

The Cash Equivalent Transfer Value (CETV)

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.

The real increase in the value of the 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.

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 Office in the financial year 2018-19 was £90-£95k (2017-18, £85-90k). This was 2.8 times (2017-18, 2.8 times) the median remuneration of the workforce, which was £32,720 (2017-18, £31,988).

In 2018-19, no employees (2017-18, nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £8,300 to £91,000 (2017-18 £8,300 to £88,000).

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

Compensation for loss of office

No staff left the Office under Voluntary Exit terms in 2018-19 or 2017-18.

Ministers

No Ministers left the Office under severance terms in 2018-19 or 2017-18.

Staff Report

Staff Costs

The Office's expenditure on staff during 2018-19 is shown in the table below: -

					31 March 2019	31 March 2018
	Permanently Employed Staff	Others	Ministers	Special Advisors	Total	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	2,193	86	71	105	2,455	2,396
Social security costs	200	-	8	10	218	209
Other pension costs	385	-	-	14	399	357
Total Costs	2,778	86	79	129	3,072	2,962

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” are an unfunded multi-employer defined benefit scheme but the Office is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation of the scheme was carried out on 31 March 2016 and details can be found at <https://www.civilservicepensionscheme.org.uk/about-us/scheme-valuations/>

For 2018-19 employer's pension contributions of £399k (2017-18: £357k) were payable to the PCSPS at one of four rates in the range 20% to 24.5% (2017-18: 20% to 24.5%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflected past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' pension contributions of £0 (2017-18: £0) were paid to one or more the panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 8.0% to 14.75% (2017-18: 8.0% to 14.75%) of pensionable pay. Employers also match employee contributions up to 3.0% of pensionable pay.

In addition, employer pension contributions of equivalent to 0.8% of pensionable pay were payable to the PCSPS to cover the future provision of lump sum benefits on death in service and ill health retirement of employees in the PCSPS scheme.

Contributions due to the partnership pension providers at the reporting period were Nil. (2017-18: £Nil).

There were no retirements during 2018-19 (2017-18: Nil) on the grounds of ill health.

Staff Numbers

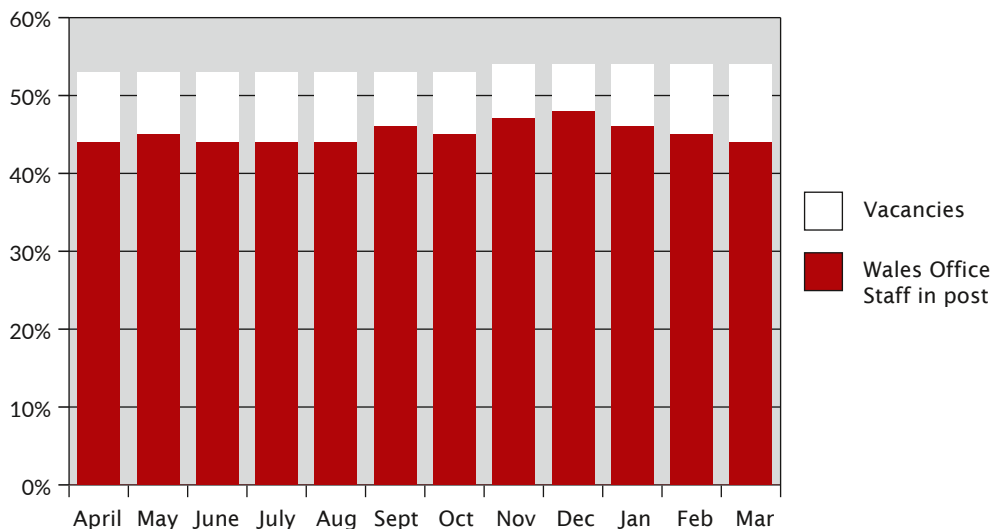
The average number of full-time equivalent staff employed during the year is shown in the table below:

	31 March 2019	31 March 2018
Permanent staff	45.0	45.0
Others	3.0	4.0
Ministers	2.0	2.0
Special Advisors	2.0	2.0
Total	52.0	53.0

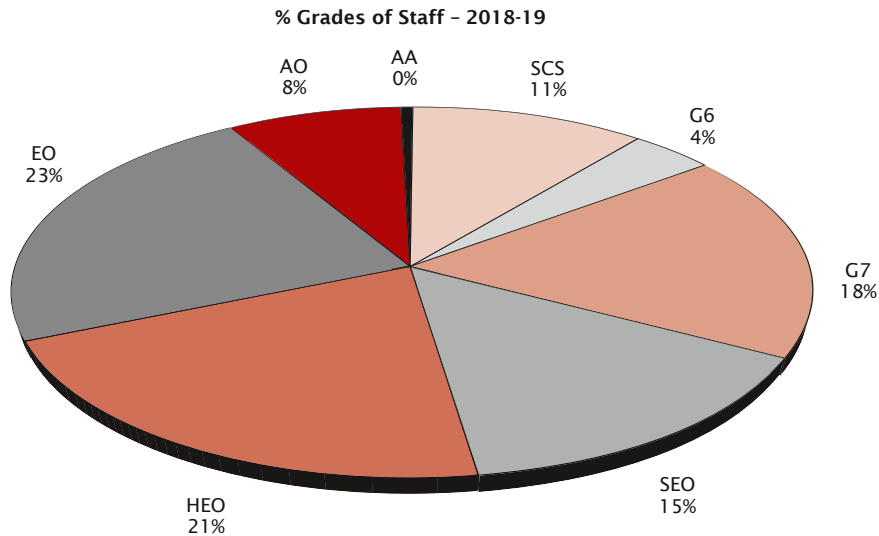
The Office has never employed staff directly. We continue to receive employment services from the Ministry of Justice (MoJ) who assign staff to us. MoJ are subject to the Civil Service Commissioners' Recruitment Principles and staff are recruited on our behalf through fair and open competition. In the past we have been far more reliant on loans from other government departments but now this arrangement applies to less than five staff.

The Office had a staff complement of 54 staff by the end of the 2018/19 financial year reporting period. However, as the chart below shows, the full complement was not achieved in any given month.

Staffing Levels 2018/19



A breakdown of staff by civil service grades is shown in the chart below:



On average, 46% of staff were based in our Cardiff Office and 54% in London.

Reporting of Civil Service and other compensation schemes – exit packages

There were no Civil Service exit packages in 2018-19 or 2017-18.

Trade Union (Facility Time Publication Requirements) Regulations 2017 (Statutory Instruments 328)

The Trade Union Facility Time Regulations do not apply to the Office as we are not an employer and have less than 49 full time equivalent staff. The Ministry of Justice as the employer provides trade union representation for staff.

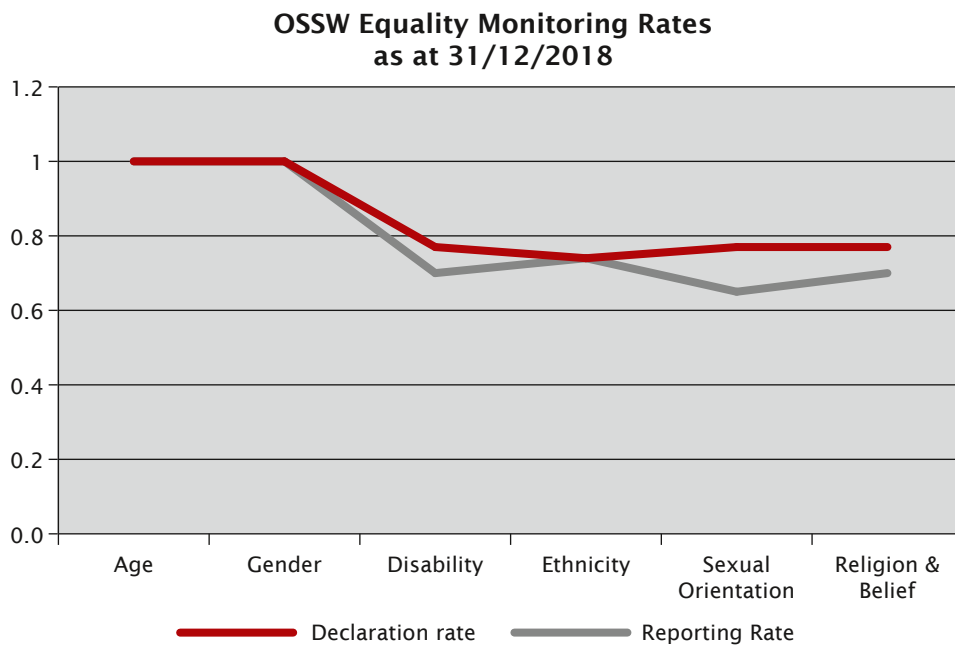
Senior Civil Service

At the 31 March 2019 there were six substantive senior civil servant posts in the Office of the Secretary of State for Wales, of which five were filled. These numbers include one lawyer who is on secondment from the Government Legal Service.

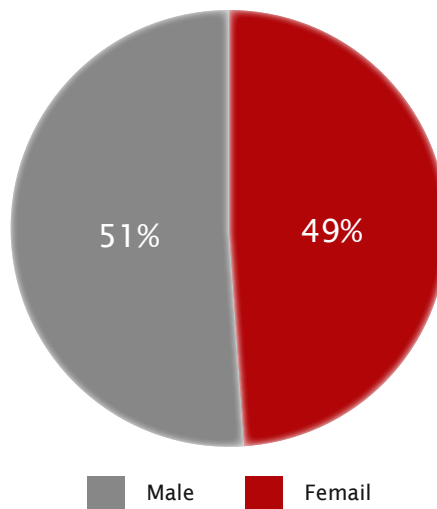
Staff in Senior Civil Service positions	March 2019	March 2018
Proportion of women	20%	17%
Proportion of women at Pay band 2 & above	0%	0%
Proportion of Black and Minority Ethnic (BAME) disclosed	20%	0%
Proportion of Disabled staff disclosed	0%	0%

Equality & Diversity

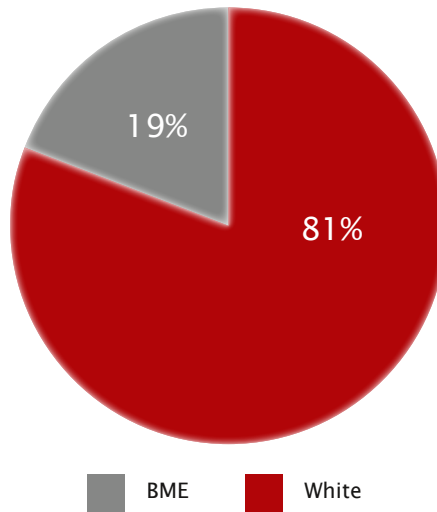
Information regarding a range of personal characteristics are monitored through the Ministry of Justice Human Resources (HR) system where staff are encouraged to make personal declarations at regular intervals throughout the year. Data available as at 31 December 2018 in terms of gender, ethnicity, disability and age are shown in the charts below:



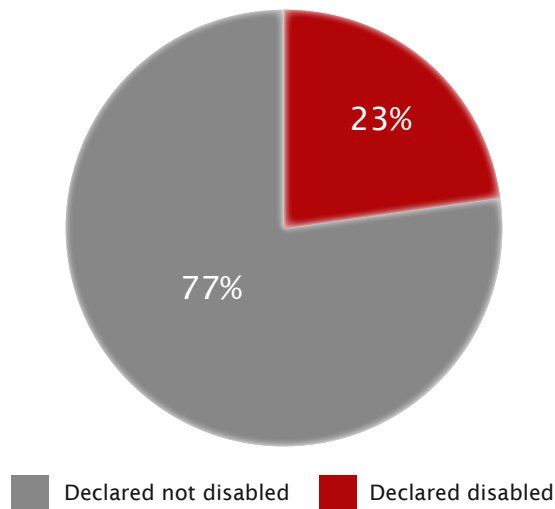
OSSW Gender Profile as at 31/12/2018



**OSSW Ethnicity Reporting Rates
as at 31/12/2018**



**Disability Monitoring
as at 31/12/2018**



In terms of Sexual Orientation and Religion & Belief reporting, as some of the categories relate to fewer than five staff, the information will not be published.

The Ministry of Justice (MoJ) as the employer uses anonymised applications as part of its recruitment process to reduce unconscious bias at the short-listing stage. The Office has participated in an MoJ pilot during this reporting year, to make interview panel memberships more diverse.

Employment of disabled persons

The Ministry of Justice participates in the Disability Confident Employer Scheme and offers the Guaranteed Interview Scheme (GIS) for candidates who consider themselves disabled. As the Office is compliant with MoJ recruitment schemes, we also adopt these best practice standards.

Other Health Wellbeing Issues

The average number of working days lost (AWDL) due to staff sickness for the calendar year 2018 was 1.7. This remains well below the Civil Service average.

The Office regularly participates in Wellbeing events organised in collaboration with the wider UK Governance Group.

Spend on consultancy and temporary staff

The spend on consultancy in 2018-19 was £35,300 (2017-18 £Nil).

The total spend on temporary staff in 2018-19 was £86,229 (2017-18 £110,657). The Office used temporary staff to cover for staff on maternity leave and for vacant posts.

Off Payroll Appointments

In 2018-19 the Office had no off-payroll appointments for more than £245 per day and for duration of six months or longer.

Welsh Language

The Office has in place its own Welsh Language Scheme and reports annually to the Welsh Language Commissioner on performance against the targets specified in the Scheme. We ensure that a reasonable proportion of staff are recruited who possess bilingual ability. These staff are able to respond to telephone queries and written correspondence in Welsh, when required.

We recognise the importance of the Welsh language in our day to day work, and provide training and guidance for staff accordingly. A skills audit of the Department's staff is conducted annually and the results of this provide the foundation for our workforce and succession planning. As at 31st March 2019:

- 9% of staff assessed themselves as being fluent in listening, reading and speaking Welsh, with 7% also considering themselves to be fluent in written Welsh;
- 6% of staff assessed themselves as having varying degrees of understanding from intermediate to advanced, and
- 19% of staff assessed themselves as having basic levels of understanding across most facets of the Welsh language.

Parliamentary accountability and audit report

This information has been subject to audit.

Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRM) requires the Wales Office to prepare a Statement of Parliamentary Supply (SoPs) and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit. The SoPs and related notes are subject to audit.

Summary of Resource and Capital Outturn 2018-19

SoPs Note	2018-19 Estimate			2018-19 Outturn			2018-19 Voted Outturn compared with Estimate: saving/ (excess)	2017-18 Outturn
	Voted	Non-Voted	Total	Voted	Non-Voted	Total		
	£000	£000	£000	£000	£000	£000		
Departmental Expenditure Limit								
- Resource	4,915	-	4,915	4,633	-	4,633	282	4,805
- Capital	30	-	30	18	-	18	12	73
Annually Managed Expenditure								
- Resource	7	-	7	7	-	7	-	6
- Capital		-	-	-	-	-	-	-
Total Budget	4,952	-	4,952	4,658	-	4,658	294	4,884
Non-Budget								
- Resource	15,161,478	-	15,161,478	14,582,040	-	14,582,040	579,438	14,130,162
Total	15,166,430	-	15,161,478	14,586,698	-	14,586,698	579,732	14,135,046
Total Resource	15,166,400	-	15,166,400	14,586,680	-	14,586,680	579,720	14,134,973
Total Capital	30	-	30	18	-	18	12	73
Total	15,166,400	-	15,166,400	14,586,698	-	14,586,698	579,732	14,135,046
Net Cash Requirement 2018 -19			2018-19	2017-18				
			Outturn compared with Estimate: saving/ (excess)	Outturn				
	Note	Estimate	Outturn		Outturn			
		£000	£000	£000	£000			
Net cash requirement	SOPS3	15,166,233	14,586,496	579,737	14,134,808			
Administration costs 2018-19								
		2018-19 Estimate	2018-19 Outturn	2017-18 Outturn				
		£000	£000	£000				
		4,755	4,450	4,627				

Figures in the areas outlined in bold are voted totals subject to Parliamentary control. In addition, although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanation of variances between Estimate and Outturn are given in SOPs Note 2.(Analysis of net outturn by section) and in the Financial Review Commentary on pages 21-22.

SOPS1 Net outturn

SOPS1.1 Analysis of net resource outturn by section

	Administration			Programme			2018-19	2018-19	2017-18	
	Gross	Income	Net Total	Gross	Income	Net Total	Outturn	Estimates	Outturn	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Spending in Departmental Expenditure Limits (DEL)										
Voted										
A Wales Office	4,550	(100)	4,450	183	-	183	4,633	4,915	282	4,805
Total Voted expenditure in DEL	4,550	(100)	4,450	183	-	183	4,633	4,915	282	4,805
Annually Managed Expenditure (AME)										
Voted expenditure										
B Provisions	7	-	7	-	-	-	7	7	-	6
Total; Voted expenditure in AME	7	-	7	-	-	-	7	7	-	6
Non-Budget Spending										
C Grant payable to the Welsh Consolidated Fund	-	-	-	14,582,040	-	14,582,040	14,582,040	15,161,478	579,438	14,130,162
Total for Estimate:	-	-	-	14,582,040	-	14,582,040	14,582,040	15,161,478	579,438	14,130,162
Total voted in Estimate	4,557	(100)	4,457	14,582,223	-	14,582,223	14,586,680	15,166,400	579,720	14,134,973

SOPS1.2 Analysis of net capital outturn by section

			2018-19 Outturn	2018-19 Estimate		2017-18 Outturn
	Gross	Income	Net	Net Total	Net Total Outturn compared with Estimate	Net
	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)						
Voted expenditure						
A Wales Office	18	-	18	30	12	73
Total Voted Expenditure in DEL	18	-	18	30	12	73
Total for Estimate:	18	-	18	30	12	73

SOPS2 Reconciliation of outturn to net operating expenditure

SOPS2.1 Reconciliation of net resource outturn to net operating expenditure

		2018-19	2017-18
	SoPS Note	<u>Outturn</u> £000	<u>Net</u> £000
Total resource outturn in Statement of Parliamentary Supply			
Budget	1.1	4,640	4,811
Non-Budget	1.1	14,582,040	14,130,162
		<u>14,586,680</u>	<u>14,134,973</u>
Net Operating Costs in Statement of Comprehensive Net Expenditure			
		<u>14,586,680</u>	<u>14,134,973</u>

SOPS3 Reconciliation of Net Resource Outturn to Net Cash Requirement

	SoPS Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/(excess)
		£000	£000	£000
Resource Outturn	1.1	15,166,400	14,586,680	579,720
Capital Outturn	1.2	30	18	12
Accruals to cash adjustment				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(160)	(141)	(19)
New provisions and adjustments to previous provisions		(7)	(7)	-
Departmental Unallocated Provision		-	-	-
Supported capital expenditure (revenue)		-	-	-
Prior Period Adjustments		-	-	-
Other non-cash items		(30)	(30)	-
<i>Adjustments for NDPBs:</i>				
Remove voted resource and capital		-	-	-
Add cash grant-in-aid		-	-	-
<i>Adjustments to reflect movements in working balances:</i>				
Capital accruals		-	73	(73)
Increase/(decrease) in stock		-	-	-
Increase/(decrease) in receivables		-	67	67
(Increase)/decrease in payables		-	(164)	(164)
Use of provisions		-	-	-
Removal of non-voted budget items:				
Consolidated Fund Standing Services				
Other adjustments				
Net cash requirement		15,166,233	14,586,496	579,737

SOPS4. Income payable to the Consolidated Fund

SOPS4.1 Analysis Income payable to the Consolidated Fund

The following income relates to the Wales Office and is payable to the Consolidated Fund.(cash receipts being shown in italics).

	Outturn 2018-19		Outturn 2017-18	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
Operating income outside the ambit of the Estimate				
Forfeited Assembly Election Deposits	-	-	-	-
Total Income payable to the Consolidated Fund	-	-	-	-

Consolidated Fund income shown in note 4.1 does not include any amounts collected by the Wales Office where it was acting as agent for the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) were:

Income collected by the Welsh Government and due to the Consolidated fund is shown in the table below

	2018-19	2017-18
	£000	£000
Student Loans	17,448	29,706
Cleddau Bridge loan	-	100
Tai Cymru	6	8
Bank Interest	-	19
Other	-	203
Amount payable to the Consolidated Fund	17,454	30,036
Balance held at the start of the year	-	-
Payments into the Consolidated Fund	17,454	30,036
Balances held on trust at the end of the year	-	-

The total income paid into the Consolidated Fund as at 31st March 2019 and 31 March 2018 were:

	2018-19	2017-18
	£000	£000
Income from 2017-18		30,036
Income from 2018-19	17,454	
	17,454	30,036

3. Parliamentary Accountability Disclosures

3.1 Losses and Special Payments

The Wales Office has made no losses and special payments in 2018-19 (2017-18 Nil).

3.2 Remote Contingent Liabilities

The Wales Office does not have any remote contingent liabilities.

Glynne Jones
Accounting Officer

27 June 2019

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of the Wales Office for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Wales Office's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Parliamentary Supply and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2019 and of the Department's net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2019 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

- I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Wales Office in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Wales Office's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit

procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Wales Office's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this

other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- in the light of the knowledge and understanding of the Wales Office and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared 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:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

2 July 2019

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

3 Financial Statements

Statement of Comprehensive Net Expenditure For the year ended 31 March 2019

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

		2018-19	2017-18
		Core	Core
		Department	Department
	Note	£000	£000
Income	4	(100)	(62)
Total operating income		(100)	(62)
Staff Costs	2	3,072	2,962
Accommodation, maintenance and utilities	3	453	455
Depreciation	3	141	126
Other operating expenditure	3	1,032	1,278
Grant to the Welsh Consolidated Fund	3	14,582,040	14,130,162
Lord Lieutenants' expenses	3	42	52
NLF interest payable		1,625	1,641
NLF interest receivable		(1,625)	(1,641)
Total operating expenditure		14,586,780	14,135,035
Net operating expenditure		14,586,680	14,134,973
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net operating costs:			
Net (gain) / loss on revaluation of Property, Plant and Equipment		(236)	(98)
Items that may be reclassified subsequently to net operating costs:			
Net (gain) / loss on revaluation of Property, Plant and Equipment		-	-
Comprehensive Net Expenditure for the year		14,586,444	14,134,875

The notes on pages 69 to 86 form part of these accounts

Statement of Financial Position As at 31 March 2019

This statement presents the financial position of the Wales Office. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

	Note	<u>31 March 2019</u> £000	<u>31 March 2018</u> £000
Non-current assets:			
Property, plant and equipment	5	5,648	5,535
Financial assets	9	74,864	11,092
Receivables falling due after more than one year	10	4	4
Total non-current assets		<u>80,516</u>	<u>16,631</u>
Current assets:			
Trade and other receivables	10	1,652	453
Cash and cash equivalents	7	61	32
Total current assets		<u>1,713</u>	<u>485</u>
Total Assets		<u>82,229</u>	<u>17,116</u>
Current liabilities			
Trade and other payables	11	(2,359)	(1,113)
Total current liabilities		<u>(2,359)</u>	<u>(1,113)</u>
Assets less net current liabilities		<u>79,870</u>	<u>16,003</u>
Non-current liabilities			
Provisions	12	(53)	(46)
Financial liabilities	11	(74,864)	(11,092)
Total non-current liabilities		<u>(74,917)</u>	<u>(11,138)</u>
Assets less liabilities		<u>4,953</u>	<u>4,865</u>
Taxpayers' equity:			
General fund		975	1,093
Revaluation reserve		3,978	3,772
Total equity		<u>4,953</u>	<u>4,865</u>

The notes on pages 69 to 86 form part of these accounts

Glynne Jones
Accounting Officer

27 June 2019

Statement of Cash Flows For the year ended 31 March 2019

The Statement of Cash Flows shows the changes in cash and cash equivalents of the department during the reporting period. The statement shows how the department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income the recipients of services provided by the department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the departments' future public service delivery.

	Note	2018-19 £000	2017-18 £000
Cash flows from operating activities			
Net operating expenditure	SOCNE	(14,586,680)	(14,134,973)
Adjustments for non-cash transactions	3	178	161
(Increase)/Decrease in trade and other receivables	10	(1,199)	(22)
<i>Less: Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure ¹</i>	10	1,132	14
Increase/(Decrease) in trade and other payables	11	65,018	(65)
<i>Less: Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure ¹</i>	11	(64,854)	77
Use of provisions	12	-	-
Net cash outflow from operating activities		(14,586,405)	(14,134,808)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(91)	-
Loan repayments from other bodies	9	120	104
Net cash inflow from investing activities		29	104
Cash flows from financing activities			
From the Consolidated Fund (Supply) – Current Year ²		14,586,525	14,134,762
Repayment of loans from the NLF ³	9	(120)	(104)
Net financing		14,586,405	14,134,658
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
	7	29	(46)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		17,454	30,036
Payments of amounts due to the Consolidated Fund ⁴		(17,454)	(30,036)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund			
	7	29	(46)
Cash and cash equivalents at the beginning of the period	7	32	78
Cash and cash equivalents at the end of the period	7	61	32

The notes on pages 69 to 86 form part of these accounts

1. Movements include: departmental balances with the Consolidated Fund: and payables linked to financing – NLF loans (principal and interest), capital debtors, finance leases and PFI and other service concession arrangements.
2. This is the amount received from the Consolidated Fund in respect of the current year.
3. This includes loans repaid by entities for onward transmission to the NLF and interest received from entities for transmissions to the NLF.
4. Cash paid over to the Consolidated Fund under any category.

Statement of Changes in Taxpayers Equity For the year ended 31 March 2019

This statement shows the movement in the year on the different reserves held by the Wales Office analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

		General Fund	Revaluation Reserve	Total Taxpayers' Equity
	Note	£000	£000	£000
Balance at 31 March 2017		1,204	3,699	4,903
Changes in accounting policy		-	-	-
Balance at 1 April 2017		1,204	3,699	4,903
Net Parliamentary Funding				
- Drawn down		14,134,762	-	14,134,762
- Deemed		78	-	78
Unspent Supply drawn down repayable to the Consolidated Fund	11	(32)	-	(32)
CFERs payable to the Consolidated Fund		-	-	-
Comprehensive Net Expenditure for the year	SOCNE	(14,134,973)	-	(14,134,973)
Non-cash charges				
Auditor's remuneration	3	29	-	29
Other Reserve Movements				
- Property, Plant & Equipment		-	98	98
- Other		-	-	-
Movements in Reserves				
- Transfers between reserves		25	(25)	-
Balance at 31 March 2018		1,093	3,772	4,865
Balance at 1 April 2018		1,093	3,772	4,865
Net Parliamentary Funding				
- Drawn down	SCF	14,586,525	-	14,586,525
- Deemed	11	32	-	32
Unspent Supply drawn down repayable to the Consolidated Fund	11	(61)	-	(61)
CFERs payable to the Consolidated Fund		-	-	-
Comprehensive Net Expenditure for the year	SOCNE	(14,586,680)	-	(14,586,680)
Non-cash charges				
- Auditor's remuneration	3	30	-	30
Other Reserve Movements				
- Property, Plant and Equipment		-	236	236
- Other		6	-	6
Movements in Reserves				
- Transfers between reserves		30	(30)	-
Balance at 31 March 2019		975	3,978	4,953

The notes on pages 69 to 86 form part of these accounts

Notes to the Accounts for the year ended 31 March 2019

1a) Statement of accounting policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2018-19 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the Wales Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Wales Office are described below. They have been applied consistently in dealing with items considered material in relation to these accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Wales Office to prepare one additional primary statement. The Statement of Parliamentary Supply and its supporting notes report outturn against the Estimate in terms of the net resource requirement and the net cash requirement.

The functional and presentational currency of the Wales Office is the British Pound Sterling (£).

1.2 Accounting convention

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

1.3 Operating segments

The Wales Office is considered to provide a single function and in terms of IFRS reporting is considered to be a single operating segment.

1.4. Property, plant and equipment

Valuation basis

Property, plant and equipment assets (PPE) are stated at fair value. On initial recognition PPE assets are measured at cost including any costs directly attributable to bringing them into working condition.

Valuation method

The Wales Office has one property asset - Gwydyr House - which is included at fair value, as interpreted by the FReM, on the basis of a professional valuation, which is conducted at least once every five years. In between professional valuations, carrying values are adjusted through professional desktop valuations.

Professional valuations are undertaken by the Valuation Office Agency (VOA) using the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual, known as the 'Red Book'.

Gwydyr House is classified as a Grade 2* listed building valued on an 'Existing Use' basis in accordance with the Red Book, taking into account the functional obsolescence of the property.

Non-property assets are included at cost upon purchase and are restated at each reporting date using the Price Index Numbers for Current Cost Accounting (PINCCA) produced by the Office for National Statistics.

Revaluation

When an asset's carrying amount increases as a result of a revaluation, the increase is recognised in the Statement of Comprehensive Net Expenditure to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Statement of Comprehensive Net Expenditure. Any remaining increase is credited directly to the Revaluation Reserve in Taxpayers' equity.

When an asset's carrying amount decreases (other than as a result of a permanent diminution), the decrease is recognised in the Revaluation Reserve to the extent a balance exists in respect of that asset. Any further decrease in excess of revaluation surpluses are charged to the Statement of Comprehensive Net Expenditure.

Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the Statement of Comprehensive Net Expenditure and depreciation based on the asset's original cost is transferred from the Revaluation Reserve to the General Fund.

Capitalisation threshold – individual assets

The Wales Office's capitalisation threshold for individual assets is £1,000 (including VAT).

Capitalisation threshold – grouped assets

The Wales Office has a small pool of assets for furniture and fittings which has been capitalised.

The Wales Office applies a capitalisation threshold for grouped assets of £10,000 (including VAT).

Depreciation

Depreciation is charged on a straight-line basis at rates calculated to write-off the value of assets less estimated residual value evenly over their estimated useful lives or for leased assets, over the life of the lease or the period implicit in the repayment schedule. The useful lives of assets or asset categories are reviewed annually and any changes are discussed with the relevant authorities to ensure that budgeting implications have been properly considered. Where a change in asset life is agreed, the asset is depreciated on a straight-line basis over its remaining assessed life. Depreciation commences in the month following the acquisition of a non-current asset for land, buildings and dwellings and in-month for all other non-current assets.

Estimated useful asset lives are within the following ranges:

Freehold land	Not depreciated
Freehold buildings (including dwellings)	Depreciated over the life of the assets (up to 60 years)
Grouped assets	Various depending on individual asset types
Information technology	Shorter of remaining lease period or 3 to 15 years
Plant and equipment	Shorter of remaining lease period or 3 to 20 years
Furniture and fittings	Shorter of remaining lease period or 5 to 20 years
Assets under construction	Not Depreciated

The carrying values are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If an asset is determined to be impaired, the asset is written down immediately to its recoverable amount.

Disposal of non-current assets

Gains and losses on disposal of non-current assets are determined by comparing the proceeds with the carrying amount and are recognised within Administration or Programme costs, as appropriate, in the Statement of Comprehensive Net Expenditure.

When re-valued assets are sold, the amounts included in the Revaluation Reserve are transferred to the General Fund.

1.5 Assets under construction

Assets under construction are valued at historical cost within property, plant and equipment and Intangible assets and are not depreciated or amortised. An

asset ceases to be classified as an asset under construction when it is ready for use. Its carrying value is then removed from assets under construction and transferred to the respective asset category. Depreciation or amortisation is then charged on the asset in accordance with the stated accounting policy.

Expenditure is capitalised where it is directly attributable to bringing an asset into working condition. If expenditure is deemed as not attributable to the asset it is expensed to the Statement of Comprehensive.

1.6 Leases

Operating leases

Leases where substantially all of the risks and rewards are held by the lessor are classified as operating leases. Operating lease rentals are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the lease term.

Arrangements containing a lease

In determining whether the Wales Office is party to a lease, contracts that do not take the legal form of a lease but which may contain an embedded lease, for example outsourcing arrangements and take-or-pay contracts, are assessed according to the criteria set by IFRIC (International Financial Reporting Interpretations Committee) 4 'Determining Whether an Arrangement Contains a Lease'. The contract is accounted for as a lease if the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. The arrangement is then assessed under IAS 17 to determine whether it is classified as a finance or operating lease.

1.7 Investments

National Loans Fund (NLF)

Advances from the National Loans Fund (NLF) are treated as investments and disclosed at historical cost. The balances within these accounts represent loans from the NLF lent onwards by the Secretary of State for Wales originally to the Mid-Wales Development Corporation. They were then passed to the Development Board for Rural Wales (DBRW) in the 1980's; and to the Welsh Development Agency (WDA) when DBRW was abolished in 1998. Following WDA abolition in 2006, responsibility for repayment of principal and interest falls on the Welsh Government and is a charge on the Welsh Consolidated Fund. Amounts received by the Wales Office are surrendered to the NLF. Outstanding loan balances are included within Trade and Other Payables and Financial Liabilities.

Under Section 122a of the Government of Wales Act 2006 (GOWA) the Welsh Government can borrow up to £1bn for capital expenditure. In March 2019 the Welsh Government requested to borrow £65m for capital expenditure from the National Loans Fund.

1.8 Employee benefits

Employee leave accruals

Under IAS 19 'Employee Benefits', accruals are made for untaken annual leave and flexi-leave. Performance bonuses are not accrued as the annual appraisal process which determines performance pay is not finalised at the time these Accounts are prepared.

Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded.

The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the 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 department recognises the contributions payable for the year.

Early departure costs

The Wales Office is not a direct employer. All staff are either Ministry of Justice or Welsh Government staff and it is the responsibility of these Departments to pay the additional costs of benefits beyond the normal PCSPS of staff who retire early. In specific circumstances where the Wales Office has agreed to meet the costs, early departure costs are provided in full at the point that the agreement is binding. The estimated risk-adjusted cash flows are discounted using HM Treasury's discount rate of 0.29% (2017-18:0.10%) in real terms if material.

1.9 Operating income

Operating income relates to rental income. This income is recognised under IAS 17 and not IFRS 15 (Revenue from contracts with customers).

1.10 Consolidated Fund Extra Receipts (CFERs)

CFERs balances are calculated on an accruals basis, unless stated otherwise. These mostly relate to amounts originally received by certain devolved bodies in Wales that have been designated by the Treasury under Section 120 of the Government of Wales Act 2006. These amounts are paid over by Welsh Ministers to the Secretary of State and charged on the Welsh Consolidated Fund. The Wales Office also receives amounts through the recovery of lost deposits from Assembly elections. The Wales Office pays the amounts received into the UK Consolidated Fund.

1.11 Administration and Programme expenditure

The Statement of Comprehensive Net Expenditure comprises administration expenditure for the running costs of the Secretary of State for Wales together with programme expenditure for the Lord Lieutenants expenses and the grant payable to the Welsh Consolidated Fund under Section 118 of the Government of Wales Act 2006.

1.12 Provisions

Provisions are recognised when the Wales Office has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and for which a reliable estimate can be made for the amount of the obligation.

Provisions reflect the best estimate of the expenditure required to settle the obligation. Where the effect of discounting is material, provisions are measured at their present value using the real rate set by HM Treasury, currently 2.6%; by comparison 2017-18 rates were 2.4%.

1.13 Value Added Tax (VAT)

Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase costs of non-current assets. Where output tax is charged or input tax is recoverable, the amounts are stated net of VAT.

1.14 Financial instruments

IFS 9 requires an entity to recognise a financial asset or a financial liability in its Statement of Financial Position when it becomes party to the contractual provisions of the instrument.

Financial assets and financial liabilities which arise from contracts for the purchase and sale of non-financial items (such as goods or services), which are entered into in accordance with the Wales Office's normal purchase, sale or usage requirement, are recognised when, and to the extent to which, performance occurs. All other financial assets and liabilities are recognised when the Wales Office becomes party to the contractual provisions to receive or make cash payments. Financial liabilities are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Classification and measurement

In addition to Cash and cash equivalents, the Wales Office has two categories of financial assets:

Loans and receivables

Loans and receivables comprise trade receivables, other receivables and loans that have fixed or determinable payments that are not quoted in an active

market. Loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method net of any impairment. Interest is recognised by applying the effective interest rate. The effective interest rate is a method of calculating the amortised cost of a financial asset and of allocating the interest revenue or expense over the relevant period using the estimated future cash flows.

IFRS 9 requires an entity to produce an expected loss impairment model for financial instruments held. Under the FReM, balances with core central government departments, the Government's Exchequer Funds (include the National Loans Funds) are excluded from recognising impairments.

The main financial instrument is the loans from the National Loans Fund. There is no loss allowance these loans as NLF loans can only be made where there is a reasonable expectation that they will be serviced and repaid on the due dates as the NLF is not legally allowed to make a loss (s5 (3) of the National Loans Act 1968).

The Wales Office, acting as Sponsor Department, provides a letter of guarantee signed by its Permanent Secretary, to the Treasury Accountant at Her Majesty's Treasury (HMT), standing behind all NLF loans made to the Welsh Government and confirming that the NLF will be repaid in full by the Wales Office in in case of default by the Welsh Government. This effectively means the Wales Office will repay the NLF loans from their Estimate.

1.15 Cash and cash equivalents

Cash and cash equivalents recorded in the Statement of Financial Position and Statement of Cash Flow include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

1.16 Significant accounting estimates and assumptions

The Accounts reflect estimates and assumptions concerning the future. By definition, estimates are unlikely to be the same as actual results. Estimates are continually evaluated and are based on historical experience and other relevant factors including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provision for Liabilities and Charges

The provisions for liabilities and charges reported at note 12 reflect judgements about the likelihood that a future transfer of economic benefits will arise as a result of past events. Where the likelihood of a liability crystallising is deemed probable and where it is possible to quantify the effect with reasonable

certainty, a provision is recognised. Where the likelihood of potential liabilities crystallising is judged to be possible, a contingent liability is disclosed.

Lease accounting

Judgement is required in the initial classification of leases as either operating leases or finance leases.

Where a lease is taken out for land and buildings combined, both the building and the land elements may be capitalised as separate finance leases if they meet the criteria for a finance lease. If the contracted lease payments are not split between land and building's in the lease contract the split is made based on the market values of the land and buildings at the inception of the lease.

1.17 Impending application of newly issued accounting standards not yet effective

The following new standards, interpretations and amendments, which have been adopted by the EU but are not yet effective, may have an impact on future Wales Office accounts:

IFRS 16 - Leases replaces IAS 17 Leases and related interpretations and has an effective date of 1st January 2019. The new standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The new standard is expected to be applied in central government from 1st April 2020.

The Office expects IFRS 16 to have a material impact on future accounts as we bring our current operating lease onto the Statement of Financial Position. It is not yet possible to quantify this impact.

2. Staff Costs

					31 March 2019	31 March 2018
	Permanently Employed Staff & Inward					
	Secondees	Others	Ministers	Special Advisors	Total	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	2,193	86	71	105	2,455	2,396
Social security costs	200	-	8	10	218	209
Other pension costs	385	-	-	14	399	357
Total Costs	2,778	86	79	129	3,072	2,962

Staff costs and Numbers are disclosed in the Remuneration and Staff Report within the Accountability Report.

3. Other Expenditure

	<u>31 March 2019</u>	<u>31 March 2018</u>
	<u>£000</u>	<u>£000</u>
Accommodation, maintenance and utilities	453	455
Communications, office supplies and services	55	40
Rentals under operating leases: land and buildings	183	161
Rentals under operating leases: other (plant, machinery, vehicles etc)	61	49
IT services & telecommunications (non-service concession arrangements)	95	157
Other contracted out services	14	19
Professional services	83	420
Travel and subsistence	252	180
Training and other staff related costs	28	18
Bank fees and charges	3	3
Other administration expenditure	37	28
Events and Conferences	30	14
Allocation of overheads	154	154
Non-cash items		
Auditors' remuneration and expenses	30	29
Provision increase in-year	7	6
Total Administration Costs	<u>1,485</u>	<u>1,733</u>
 <i>Programme Costs - Wales Office</i>		
Lord Lieutenants' expenses	42	52
Grant to the Welsh Consolidated Fund	14,582,040	14,130,162
 <i>Non-cash items</i>		
Depreciation	141	126
Total Programme Costs	<u>14,582,223</u>	<u>14,130,340</u>
 Net Operating Expenditure for the year ended 31 March 2019	<u>14,583,708</u>	<u>14,132,073</u>

4. Income

	<u>31 March 2019</u>	<u>31 March 2018</u>
	<u>£000</u>	<u>£000</u>
Income		
Rental income	100	62
Total Income	<u>100</u>	<u>62</u>

There is no income payable to the Consolidated Fund.

5. Property, Plant and Equipment

	Freehold Land	Freehold Buildings	Information Technology	Plant & Equipment	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
2018-19							
Cost or valuation							
At 1 April 2018	3,264	2,086	-	207	298	35	5,890
Additions	-	-	-	-	-	18	18
Revaluations	79	51	-	2	-	-	132
Reclassifications	-	-	35	-	-	(35)	-
At 31 March 2019	3,343	2,137	35	209	298	18	6,040
Depreciation							
At 1 April 2018	-	-	-	(176)	(179)	-	(355)
Charged in year	-	(104)	(3)	(9)	(25)	-	(141)
Revaluations	-	104	-	-	-	-	104
At 31 March 2019	-	-	(3)	(185)	(204)	-	(392)
Net book value at 31 March 2019	3,343	2,137	32	24	94	18	5,648
Net book value at 1 April 2018	3,264	2,086	-	31	119	35	5,535
All assets are owned by the Wales Office	3,343	2,137	32	24	94	18	5,648

Professional valuations of land and buildings, which all relate to Gwydyr House, are undertaken by qualified chartered surveyors from the Valuation Office Agency (VOA) who are independent of the Wales Office in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual, known as the 'Red Book'. The last physical valuation was undertaken on the 31st March 2015 with professional desktop valuations being undertaken in intervening years.

All assets other than land and buildings and assets under construction are revalued at each reporting date using the Producer Price Index prepared by the Office for National Statistics.

5.a Property, Plant and Equipment

	Freehold Land	Freehold Buildings	Plant & Equipment	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000
2017-18						
Cost or valuation						
At 1 April 2017	3,264	2,086	205	260	-	5,815
Additions	-	-	-	38	35	73
Revaluations	-	-	2	-	-	2
At 31 March 2018	3,264	2,086	207	298	35	5,890
Depreciation						
At 1 April 2017	-	-	(166)	(161)	-	(327)
Charged in year	-	(99)	(10)	(17)	-	(126)
Revaluations	-	99	-	(1)	-	98
At 31 March 2018	-	-	(176)	(179)	-	(355)
Net book value at 31 March 2018	3,264	2,086	31	119	35	5,535
Net book value at 1 April 2017	3,264	2,086	39	99	-	5,488
All assets are owned by the Wales Office	3,264	2,086	31	119	35	5,535

Professional valuations of land and buildings, which all relate to Gwydyr House, are undertaken by qualified chartered surveyors from the Valuation Office Agency (VOA) using the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual, known as the 'Red Book'. The last valuation was undertaken on the 31st March 2015. In between professional valuations all property, plant and equipment are valued using indices.

6. Capital and other Commitments

6.1 Commitments under Operating Leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below.

	<u>31 March 2019</u>	<u>31 March 2018</u>
	<u>£000</u>	<u>£000</u>
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	90	90
Later than one year but not later than five years	181	271
Later than five years	-	1
Total	<u>271</u>	<u>361</u>

The buildings lease relates to lease accommodation for the Wales Office in Cardiff.

7. Cash and cash equivalents

	<u>31 March 2019</u>	<u>31 March 2018</u>
	<u>£000</u>	<u>£000</u>
Balance at 1 April 2018	32	78
Net change in cash and cash equivalents	29	(46)
Balance as at 31 March 2019	61	32

All balances were held with the Government Banking Service.

8. Financial Instruments

As the cash requirements of the department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts for non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore usually exposed to little credit, liquidity or market risk.

9. Investments and Loans in Other Public Sector Bodies

	<u>Loans funded from National Loans Fund</u>
	<u>£000</u>
Cost or valuation	
At 1 April 2017	11,212
Loans repayable within 12 months transferred to receivables	(120)
At 1 April 2018	11,092
*Additions - New Capital Loan from the NLF for the Welsh Government	65,000
Loans repayable within 12 months transferred to receivables	(1,228)
Balance at 31 March 2019	74,864

*Under Section 122a of the Government of Wales Act 2006 (GOWA) the Welsh Government can borrow up to £1bn for capital expenditure. In March 2019 the Welsh Government requested to borrow £65m for capital expenditure from the National Loans Fund.

Section 122 of the GOWA 2006 states that The Treasury may issue to the Secretary of State out of the National Loans Fund such sums as the Secretary of State needs for making loans under section 121 of GOWA 2006.

10. Trade Receivables and other current assets

	<u>31 March 2019</u>	<u>31 March 2018</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Trade receivables	118	113
VAT receivables	17	1
Deposits and advances	4	10
Other receivables	129	74
Prepayments and accrued income	5	8
Current part of NLF loan – interest receivable	151	127
Current part of NLF loan – capital	1,228	120
Total receivables	<u>1,652</u>	<u>453</u>
	<u>31 March 2019</u>	<u>31 March 2018</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due after more than one year:		
Deposits and advances	4	4
Total receivables	<u>4</u>	<u>4</u>

11. Trade Payables and other current liabilities

	<u>31 March 2019</u>	<u>31 March 2018</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Other taxation and social security	94	104
Trade payables	117	59
Other payables	194	62
Accruals	514	536
Capital Accruals	-	73
Current part of NLF loan – capital	1,228	120
Current part of NLF loan – interest payable	151	127
Amounts issued from the Consolidated Fund for supply but not spent at year end	61	32
Total payables	<u>2,359</u>	<u>1,113</u>
	<u>31 March 2019</u>	<u>31 March 2018</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due after more than one year:		
NLF loans	74,864	11,092
Total payables	<u>74,864</u>	<u>11,092</u>

12. Provisions for Liabilities and Charges

	Leasehold Dilapidation Costs	Total
	£000	£000
Balance as at 1 April 2017	40	40
Provided in year	6	6
Balance as at 1 April 2018	46	46
Provided in year	7	7
Balance as at 31 March 2019	53	53

The leasehold dilapidation costs are the potential future sums payable on exiting the lease for the Cardiff Office.

12.1 Analysis of expected timing of discounted flows

	Leasehold Dilapidation 2018-19
	£000
Not later than one year	-
Later than one year and not later than five years	53
Later than five years	-
Balance at 31 March 2019	53

	Leasehold Dilapidation 2017-18
	£000
Not later than one year	-
Later than one year and not later than five years	-
Later than five years	46
Balance at 31 March 2018	46

13. Related party transactions

Associated Departments and other central Government bodies

The Wales Office funds the Welsh Government. The Welsh Government is regarded as a related party with whom the Wales Office has had various material transactions during the year.

In addition, the Wales Office has had a number of significant transactions with other government departments mainly the Ministry of Justice and other central government bodies.

No minister, board member, key manager or other related parties has undertaken any material transactions with the Department during the year.

All compensation for senior management is disclosed in full in the Remuneration Report.

14. Events after the Reporting Period

In accordance with the requirements of IAS 10 'Events After the reporting Period', post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue by the Accounting Officer. This is interpreted as the same date the Accounts are certified by the Comptroller and Auditor General.

On the 3rd April, Nigel Adams MP stood down from his role as Parliamentary Under Secretary of State. On the 4th April 2019 Kevin Foster MP was appointed to this role.

Appendix 1: Public Expenditure Core Financial Tables

TABLE 1

Spending by Wales Office & Welsh Government 2014-15 to 2019-20							
	2014-15 Outturn £000	2015-16 Outturn £000	2016-17 Outturn £000	2017-18 Outturn £000	2018-19 Plans £000	2018-19 Outturn (7) £000	2019-20 Plans £000
Wales Office Expenditure							
Resource expenditure within Administration Costs	4,280	3,937	4,350	4,627	4,695	4,450	4,667
Other resource expenditure	43	54	163	178	220	183	435
Wales Office Resource⁽²⁾	4,323	3,991	4,513	4,805	4,915	4,633	5,102
Wales Office Capital	117	45	0	73	30	18	30
Wales Office Resource + Capital DEL⁽²⁾	4,440	4,036	4,513	4,878	4,945	4,651	5,132
<i>less depreciation & impairments</i>	<i>-131</i>	<i>-100</i>	<i>-109</i>	<i>-126</i>	<i>-160</i>	<i>-141</i>	<i>-110</i>
Wales Office DEL⁽³⁾	4,309	3,936	4,404	4,752	4,785	4,510	5,022
Welsh Government Expenditure (The Welsh Block)⁽⁶⁾							
Welsh Government Resource (before Block Grant Adjustment)	14,203,147	13,328,943	13,325,208	14,001,757	14,724,529	14,326,491	14,909,599
<i>less: Block Grant Adjustment</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-268,374</i>	<i>-268,374</i>	<i>-2,334,323</i>
Resource	14,203,147	13,328,943	13,325,208	14,001,757	14,456,155	14,058,117	12,575,276
Capital	1,500,156	1,542,658	1,449,083	1,821,285	2,064,483	2,117,641	2,134,347
Total Resource + Capital	15,703,303	14,871,601	14,774,291	15,823,042	16,520,638	16,175,758	14,709,623
<i>less depreciation & impairments</i>	<i>-448,801</i>	<i>-513,710</i>	<i>-253,397</i>	<i>-708,262</i>	<i>-904,362</i>	<i>-758,098</i>	<i>-690,064</i>
Welsh Government DEL⁽³⁾⁽⁵⁾	15,254,502	14,357,891	14,520,894	15,114,780	15,616,276	15,417,660	14,019,559

(1) Totals may not sum due to roundings.

(2) Including depreciation & impairments

(3) Resource + capital – depreciation & impairments (includes Student Loans impairments)

(4) By convention Departmental Expenditure Limit budgets are expressed as resource and capital less depreciation & impairments. Therefore the resource and capital numbers in this table will not sum to the Departmental Expenditure Limit: the difference being depreciation & impairments.

(5) DEL figures for outturn years have been adjusted to reflect subsequent budgeting changes

(6) From the 2015 Spending Review, Wales Office expenditure no longer forms part of the Welsh Block

(7) Wales Office outturn data represent final outturn and will accord with the accounts published elsewhere in this document. The Welsh Government data shows provisional outturn as the Welsh Government have yet to finalise their accounts.

TABLE 2**Cash grant paid to the Welsh Consolidated Fund 2017-18:
Provision & Final Outturn**

	Original Provision £000	Final Provision £000	Final Outturn £000
Expenditure Classified as DEL⁽²⁾	15,605,433	16,380,582	15,823,042
Expenditure Classified as AME	754,198	787,749	682,102
Expenditure Financed by Capital Borrowing	20,000	0	0
Non Domestic Rates	1,059,000	1,059,000	1,059,000
Total Managed Expenditure	17,438,631	18,227,331	17,564,144
Less:			
<i>Non Voted expenditure:</i>			
LA Credit Approvals	88,800	88,800	88,800
Other Non-Voted	6,078	6,078	6,078
<i>Wales Act 2014 Transactions:</i>			
Capital Borrowing	20,000	0	0
<i>Non-Cash:</i>			
Resource Ringfenced Non Cash	636,264	949,538	708,262
AME Non-cash	204,937	226,810	237,919
TOTAL NON VOTED TME	956,079	1,271,226	1,041,059
TOTAL VOTED TME	16,482,552	16,956,105	16,523,085
Voted receipts			
Contributions from the National Insurance Fund	1,163,325	1,208,865	1,208,865
NDR Receipts	1,001,278	1,018,348	1,018,348
Timing Adjustments			
Increase / Decrease in Debtors & Creditors	0	60,000	-274,480
Use of Provisions	0	0	109,124
Movements in balances on the Welsh Consolidated Fund	0	0	-354
Cash Grant payable to Welsh Consolidated Fund by Wales Office⁽³⁾	14,317,949	14,788,892	14,130,162

Notes

(1) Totals may not sum due to roundings.

(2) Resource and capital DEL including depreciation.

(3) Government of Wales Act 2006, Section 118 (2).

(4) All items forming this calculation refer to expenditure incurred by/income received by the Welsh Government.

TABLE 3**Cash grant paid to the Welsh Consolidated Fund 2018-19:
Provision & Provisional Outturn**

	Original Provision £000	Final Provision £000	Provisional Outturn £000
Expenditure Classified as DEL⁽²⁾	15,827,012	16,519,564	16,031,660
Expenditure Classified as AME	741,995	801,657	619,173
Expenditure Financed by Welsh Taxes	275,880	285,880	272,159
Expenditure Financed by Capital Borrowing	125,000	125,000	65,000
Non Domestic Rates	1,050,000	1,050,000	1,050,000
Total Managed Expenditure	18,019,887	18,782,101	18,037,992
Less:			
<i>Non Voted expenditure:</i>			
LA Credit Approvals	88,800	88,800	88,800
Other Non-Voted	6,078	6,078	6,078
<i>Wales Act 2014 Transactions:</i>			
Income from Welsh taxes:			
Land Transaction Tax	250,000	239,000	227,846
Landfill Disposal Tax	26,000	47,000	44,433
Repayment of principal of loans	-120	-120	-120
Capital Borrowing	125,000	125,000	65,000
Resource Ringfenced Non Cash	664,279	904,279	701,073
AME Non-cash	53,757	102,126	-38,351
TOTAL NON VOTED TME	1,213,794	1,512,163	1,094,759
TOTAL VOTED TME	16,806,093	17,269,938	16,943,233
Voted receipts			
Contributions from the National Insurance Fund	1,214,227	1,234,860	1,234,860
NDR Receipts	1,037,743	1,038,259	1,000,982
Timing Adjustments			
Increase / Decrease in Debtors & Creditors	0	50,000	-266,364
Use of Provisions	0	0	118,734
Devolved Taxes - Timelag in collection of receipts in year 1	0	11,100	22,279
Cash Grant payable to Welsh Consolidated Fund by Wales Office	14,554,123	15,057,919	14,582,040

Notes

(1) Totals may not sum due to roundings.

(2) Resource and capital DEL including depreciation.

(3) All items forming this calculation refer to expenditure incurred by/income received by the Welsh Government.

TABLE 4**Calculation of Cash Grant Payable to Welsh Consolidated Fund 2019-20**

	2019-20
	£000
Expenditure Classified as DEL (Block Grant) ⁽²⁾	14,709,623
Expenditure Classified as AME	869,119
Expenditure Financed by Welsh Taxes	2,358,000
Expenditure Financed by Capital Borrowing	125,000
Expenditure Financed by Non Domestic Rates	1,061,000
Total Managed Expenditure	19,122,742
<i>Less:</i>	
<i>Non Voted expenditure:</i>	
Supported Borrowing by Welsh Local Authorities	88,800
Collection costs for the NI Contributions and Non Domestic Rates	6,078
<i>Wales Act 2016 Transactions:</i>	
Income from Welsh taxes:	
Income Tax	2,059,000
Land Transaction Tax	256,000
Landfill Disposal Tax	43,000
Repayment of principal of loans	-2,273
Capital Borrowing	125,000
Resource Ringfenced Non Cash	690,064
AME Non-cash	69,723
Sub-Total	3,335,392
TOTAL SUPPLY EXPENDITURE	15,787,350
Lees receipts	
Contributions from the National Insurance Fund	1,275,112
NDR Receipts	1,068,904
Cash Grant payable to Welsh Consolidated Fund by Wales Office	13,443,33423

Notes

(1) Totals may not sum due to roundings

(2) Resource and capital DEL including depreciation

(3) All items forming this calculation refer to expenditure incurred by/income received by the Welsh Government

