



**Wales Office
Swyddfa Cymru**

Wales Office

**Annual Report and
Accounts 2015-16**



Wales Office Swyddfa Cymru

Annual Report and Accounts 2015-16

(For the year ended 31 March 2016)

Accounts presented to the House of Commons
Pursuant to Section 6(4) of the Government
Resources and Accounts Act 2000

Annual Report presented to the House of Commons
by Command of Her Majesty

Ordered by the House of Commons to be printed 7 July 2016

HC 359

This is part of a series of Departmental publications which, along with the Main Estimates 2016-17, the document Public Expenditure: Statistical Analyses 2016, and the Supply Estimates 2015-16: Supplementary Budgetary Information, present the Government's outturn for 2015-16 and planned expenditure for 2016-17.



© Crown copyright 2016

This publication is licensed under the terms of the Open Government Licence v3.0 except where otherwise stated. To view this licence, visit nationalarchives.gov.uk/doc/open-government-licence/version/3 or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

Where we have identified any third party copyright information you will need to obtain permission from the copyright holders concerned.

This publication is available at www.gov.uk/government/publications

Any enquiries regarding this publication should be sent to us at wales.office@walesoffice.gsi.gov.uk

Print ISBN 9781474135252
Web ISBN 9781474135269

ID 28061601 07/16

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

Contents

Chapter 1 The Performance Report	1
Ministerial Foreword	1
Director's Introduction	3
Departmental Overview	4
Chapter 2 The Accountability Report	19
Corporate Governance Report	19
Directors' Report	19
Statement of Accounting Officer's Responsibilities	21
Governance Statement	22
Remuneration and Staff Report	33
Remuneration Report	33
Staff Report	43
Parliamentary accountability and audit report	49
The Certificate and Report of the Comptroller and Auditor General to The House of Commons	56
Chapter 3 Financial Statements	59
Appendix 1: Public Expenditure Core Financial Tables	81

1 The Performance Report

Ministerial Foreword

It is over a year since the General Election, and several months since my appointment as the Secretary of State for Wales. I am immensely privileged to have been promoted to the Cabinet. Within this role, I am committed to providing Wales with a strong voice in Whitehall.

Over the last two years, it has been a pleasure to work with my predecessor, the Rt Hon Stephen Crabb MP. His commitment to Wales has been unyielding. I am confident that he will be successful in his new role, and I thank him leaving such a substantial legacy as Secretary of State for Wales.

Over the last year, the Welsh economy has remained the Wales Office's priority, and it will carry on being the priority now that I am Secretary of State.

In March, the Cardiff Region City Deal was signed. This Deal is the largest of its kind, and a once in a generation opportunity for Wales. It includes a pledge of £50 million to secure a National Innovation Centre based in Wales, announced by the Chancellor and my predecessor in January. Over the next twenty years, the Cardiff Capital Region will have access to a £1.2 billion investment fund. I am excited to see the region take hold of its own destiny.

The March Budget was a testament to the confidence that this Government has in Wales. Severn tolls will be halved once the Crossing enters public ownership. We have confirmed our intention to support a Swansea City Deal. Further, we have opened negotiations for a North Wales Growth Deal. Over the next year, I am committed to delivering for all of Wales.

Since April, we have enjoyed many successes. In February, Aston Martin confirmed that its second manufacturing facility will be based in St Athan, creating 750 highly skilled jobs in Vale of Glamorgan and reinforcing Wales' position as an innovator and leader in the Automotive Sector. In March, I joined Philip Dunne at the launch of the Ajax Reconnaissance Vehicle Assembly Plant in Merthyr Tydfil. With an investment of £390 million and the creation of 250 jobs, we are working hard to deliver sustainable, skilled employment to Wales.

It is a time of significant constitutional change in Wales. In October, we published the draft Wales Bill. In February, following a helpful period of pre-legislative scrutiny, my predecessor announced that amendments would be made to the Bill. Supported by the political consensus of the St David's Day Agreement. I introduced the Wales Bill on 7 June, which passed second reading on 14 June. Through the Bill, I am determined to deliver a clearer, fairer and stronger

devolution settlement for the people of Wales; a devolution settlement that will stand the test of time. Over the course of the next year, I will be working hard to deliver the amended Bill.

The Chancellor's November announcement of a Welsh Funding Floor was historic. In conjunction with an increase in capital funding for the Welsh Government of £900 million over five years, we are ensuring that Wales is fairly funded under the Barnett Formula for the years to come. With the removal of the need for a referendum on Welsh Income Tax, we are dismantling barriers to fiscal accountability. This measure will become part of the Wales Bill, and will help the Welsh Assembly develop into the mature, accountable Government that the people of Wales deserve.

In May, I welcomed the appointment of the fifth National Assembly for Wales. Since the formation of the new Welsh Government Cabinet, I have worked hard to maintain the good working relationship that the Wales Office has enjoyed over recent years.

In December, I became the first UK Government Minister to officially visit Argentina since 1999. On the 150th Anniversary of Welsh settlement in Patagonia, this represents exciting new developments in relations between the UK and Argentina.

The Chancellor's confident award of a flat real budget allocation to the Wales Office will not go unearned. Maintained resources will ensure that the Department can respond to the changing needs of the devolution settlement, while keeping energies focused on championing the people of Wales. I anticipate that 2016/17 will be a year that defines both the Wales Office in terms of achievements, and more importantly, delivers real benefits to Wales as a nation.

As Secretary of State, I have appreciated support from a strong Ministerial team, and I would like to thank the newly appointed Guto Bebb MP and Lord Bourne for their hard work and dedication. I would also like to thank Wales Office staff for maintaining significant levels of performance during this busy time.

Rt Hon. Alun Cairns MP
Secretary of State for Wales

Director's Introduction

In my introduction to last year's Annual Report and Accounts I described 2014-15 as a year of significant achievement. Exactly the same can be said of 2015-16. We saw a £1.2 billion City Deal agreed for the Cardiff Capital Region, negotiations start on a Swansea City Deal and the door opened to a North Wales Growth Deal. We also announced a Welsh Funding Floor and committed to the future halving of the Severn tolls. I am proud of the role the Wales Office played in each of those areas to secure great outcomes for Wales.

We have to sustain that level of performance in 2016-17 if we are to meet the challenges ahead. For example, we need to play our full part in securing a long-term future for the steel industry in Wales, and having published a Wales Bill in draft we now need to make the changes we have promised and take it through Parliament. Given the commitment and quality of work I see every day from Wales Office staff, I have absolute confidence that we will succeed.

Glynne Jones
Director

Departmental Overview

In 2015-16 the Wales Office continued to work closely with our partners, within Government and outside, to promote economic growth in Wales, deliver a new, clear and lasting devolution settlement for Wales and facilitate co-operation and understanding between the UK Government and the devolved institutions in Wales.

The Wales Office worked closely with HM Treasury and other UK Government Departments to secure successful outcomes for Wales in the Autumn Statement and Spending Review 2015 and Budget 2016. This included a landmark City Deal for Cardiff, where we worked with the Welsh Government and local partners to provide an investment fund for the region as part of the UK Government's drive to rebalance the economy and empower our cities as engines of economic and civic renewal.

Budget 2016 also saw the UK Government commit to open negotiations on a City Deal for the Swansea region, and engage on a growth deal for North Wales, to better connect the region to the Northern Powerhouse.

The Wales Office collaborated with its partners on a range of transport infrastructure projects and initiatives in Wales. This included the continuing commitment to electrify the Great Western Mainline through to Swansea; the devolution of executive rail franchising functions to the Welsh Government before the start of the next franchise in 2018; supporting the North Wales Economic Ambition Board in developing the case for rail modernisation in North Wales and the Budget 2016 announcement that Severn Bridge tolls will be halved in 2018.

We have also worked closely with other UK Government Departments to secure jobs and investment into Wales. In January the Government committed £50 million to establish a catapult centre in Wales for compound semi-conductors, reinforcing Wales's leading position in this rapidly developing sector. The Wales Office worked with the Ministry of Defence and the Welsh Government to attract Aston Martin to Wales, creating highly skilled jobs and further underpinning Wales's position as a leader in the automotive sector.

The Wales Office has also continued to engage with business across Wales to ensure UK economic policy meets their needs. Wales Office Ministers met a large number of business people in Wales to discuss matters of interest. The Secretary of State's Economic Advisory Board has been refreshed and continued to provide advice and views to inform UK Government decision making, including the opportunities and challenges facing productivity in Wales.

We also took forward work to implement the St David's Day Agreement. This includes changing the basis of Welsh devolution to a reserved powers model and devolving further powers to the Assembly and Welsh Ministers on which there is political consensus. The Secretary of State for Wales published the Wales Bill in draft for pre-legislative scrutiny. The department has made significant

improvements to its content as a result of that scrutiny and the wider debate it generated on the future shape and structure of Welsh devolution.

The Wales Office also worked with HM Treasury and other stakeholders to deliver a funding floor for Wales. The historic commitment ensures that funding the Welsh Government will receive will be at least 115% of comparable spending per head in England for the duration of this Parliament.

The funding floor provides long-term financial certainty for Wales, and removes a key impediment to implementing the Welsh Rates of Income Tax (WRIT). The Secretary of State was instrumental in the UK Government's announcement that it will legislate to remove the requirement for a referendum to introduce the WRIT, enabling the Welsh Government to become more accountable for how it raises money, as well as spends it. The requirement will be removed in the Wales Bill.

The Wales Office Business Plan sets out our work under four objectives:

Objective 1: Promote the Welsh economy and the economic interests of Wales

Resurgent Cities

The Wales Office worked jointly with the Welsh Government, and other UK Government Departments to agree a landmark City Deal for Cardiff. The £1.2 billion City Deal for Cardiff will provide an investment fund for the region and support electrification of the Valley Lines railways. The deal is part of the UK Government's initiative to radically transform the landscape of local responsibility and decision making across the UK and rebalance the economy.

Following on from this, we have announced that the Government is opening negotiations with local partners and the Welsh Government for a City Deal for the Swansea region. As with Cardiff, the Swansea City Deal will build on the city's existing strengths and address specific barriers to growth.

Budget 2016 also announced that the door is open to a growth deal for North Wales. The Secretary of State for Wales had engaged with local partners and argued the case in Government for a North Wales Growth Deal, as a way to strengthen the region's economy and make the most of its connection to the Northern Powerhouse. Following the announcement, Wales Office Ministers hosted a roundtable in North Wales to hear from local leaders how we can maximise the benefits of being part of the Northern Powerhouse.

Working with Welsh business

The Wales Office worked jointly with the Welsh Government and UK Trade and Investment to bring the Exporting is GREAT campaign to Wales. In March the Exporting is GREAT Hub visited Wales for a two week tour, offering support and advice to SMEs across Wales looking to export. The event successfully demonstrated the shared priority of the UK and Welsh Governments in boosting exports from Wales.

The Wales Office led discussions with businesses in Wales on how UK Government policies can support economic growth. The Secretary of State's Economic Advisory Board explored the opportunities and challenges facing productivity in Wales.

Following from the successes of the UK Investment Summit in Wales in 2014, Wales Office has continued to work with the Welsh Government and UK Trade and Investment to bring inward investment to Wales. As a result, despite difficult global economic conditions, inward investment into Wales is at a record high.

The Wales Office worked jointly with the Welsh Government and the Ministry of Defence to attract Aston Martin to Wales. The Wales Office argued the case in Government for the St Athan site to be used for wider economic benefit to

Wales. The decision from Aston Martin to locate in South Wales has reinforced Wales' position as an innovator and leader in the automotive sector. It also shows the strength and competitiveness of our manufacturing sector, and high-end skills based that is driving our economy forward. There continues to be business interest in the site and we are continuing to work with the Ministry of Defence and the Welsh Government to bring further jobs to Wales.

In January the Government committed £50 million to establish a catapult centre for compound semi-conductors in South Wales. The Secretary of State for Wales had argued the case in Government that South Wales would benefit from further developing expertise in this area. The catapult centre will transform the UK's capability for innovation and drive economic growth. Wales Office will continue to work with the Department for Business, Innovation and Skills and Innovate UK as they audit the area's research strengths and identify areas of potential global and competitive advantage.

Wales Office Ministers also undertook a comprehensive visits programme to see first hand how businesses in Wales were working hard to increase productivity, create jobs and support wider economic growth.

Improving infrastructure

The level of the toll for the Severn Crossings has consistently been raised through Wales Office engagement with business as a clear challenge for the South Wales economy. As such, Wales Office Ministers understood committing to a reduction in the toll was a priority for the UK Government.

The Wales Office worked jointly with the Department for Transport to consider options for the tolls following their return to public ownership in early 2018. Following full appraisal of the costs and benefits, Wales Office and the Department for Transport put a proposal to HM Treasury ahead of Budget 2016 for a 50% reduction in the tolls in addition to previous announcements to scrap the Category 2 toll for vans and small buses. The Wales Office will continue to work with the Department for Transport as further details and a long term plan for the Crossings are developed.

Despite delays to Network Rails programme of work, the electrification of the Great Western Mainline remained a priority for the UK Government. The Wales Office worked jointly with the Department for Transport to ensure that electrification will continue all the way to Swansea as originally agreed.

The Wales Office has also continued work with the Department for Transport and the Welsh Government to devolve executive rail franchising functions to the Welsh Government before the start of the next franchise in 2018.

Wales Office Ministers have also supported the case for rail infrastructure investment in North Wales. The department attended a transport summit in North Wales in November, held by the North Wales Economic Ambition Board. The Wales Office played a key role in the setting up of a new task force, announced at the summit. The role of the task force will be to make a detailed case to the UK Government for rail modernisation in North Wales, in particular, focussing on improving rail links between North Wales and North West England, and how this would support economic growth in the region.

Wales Office Ministers welcomed further improvements in digital connectivity across the region. The roll out of superfast broadband has continued across Wales and a total of 1 million premises have now been reached from Government and private sector investment. Over 500,000 Welsh homes and businesses can now get access speeds three times greater than the UK average as a result of the UK Government's roll-out of superfast broadband.

In March Wales Office Ministers attended a reception held in the House of Commons to hear direct from industry experts about the potential benefits of tidal technology, and in June we welcomed the news that the proposed tidal lagoon in Swansea Bay had received planning permission. The UK Government is now considering the strategic case for tidal lagoons and whether they could represent value for money for the consumer, but the Wales Office remains committed to considering the role that tidal lagoons have to play in our energy mix.

In North Wales, Anglesey's energy island has a key role to play in fulfilling the vision of a Northern Powerhouse, and at the centre of that is the Wylfa Newydd development. In March Wales Office Ministers met with Horizon Nuclear Power to discuss the proposed nuclear power station and, whilst it remains early days for the project, remain in close contact with both the developers and the Department of Energy and Climate Change.

In November the Secretary of State visited the site of the new HMP Berwyn. Good progress is being made to ensure that local businesses and local people are able to maximise the economic opportunities that this investment is creating. Many of the delivery commitments relating to work placements, local spend and local employment have already been exceeded. For example an average 71% of those working on the site have been from the local area against a target of 50%; £31 million has been committed to local businesses against the target of £30 million and £60.8 million has been spent on SMEs against the target of £50 million.

Getting people back into Work

The labour market improved in Wales in the last twelve months with the number of people in work in Wales hitting record levels in early 2016. This was accompanied by falls in the unemployment rate, back to 2008 (pre-recession) levels.

Wales Office Ministers have undertaken a series of visits to establish how the labour market is taking shape in Wales, the jobs on offer and the high quality of apprenticeships being offered.

The Wales Office has engaged with the Welsh Government and UK Government departments to develop the Apprenticeship Levy. In particular, discussions have focussed on ensuring that Wales will get a fair share of funding from the levy and, as far as possible, to develop a system for administering the levy which complements the skills and apprenticeship policies of each of the devolved administrations.

The Wales Office has also championed the outcomes of the UK Government's Work Programme in Wales, with 23,000 people in Wales entering work who were furthest away from the labour market.

Objective 2: Oversee and maintain the devolution settlement and to facilitate co-operative working between the UK Government and the devolved institutions in Wales

Implementing the St David's Day Agreement

The UK Government published the Command Paper Powers for a Purpose: Towards a Lasting Devolution Settlement for Wales on 27 February 2015. It set out the Government's plans on the future of devolution in Wales, following a cross-party process led by the Secretary of State to secure political consensus on further devolution to Wales.

The process became known as the St David's Day process, and its outcome the St David's Day Agreement. The Agreement set a course for a clearer, stronger and fairer devolution settlement for Wales. Its foundations are changing the basis of the Welsh devolution settlement to a reserved powers model to make the settlement clearer and better defined, and devolving important new powers to the Assembly and Welsh Ministers to strengthen devolution. This includes powers in areas such as energy consenting, ports, speed limits and licensing for the exploration of onshore oil and gas.

In 2015-16 the Wales Office took forward work to implement the Agreement.

Draft Wales Bill

In October 2015, the Secretary of State for Wales published the Wales Bill in draft for pre-legislative scrutiny. The Bill implements those parts of the St David's Day Agreement that require primary legislation. These include the new reserved powers model of Welsh devolution, devolving further powers to the Assembly and Welsh Ministers under the Agreement and enabling the Assembly to run its own affairs.

Pre-legislative scrutiny of the Bill encouraged a wide ranging debate, both in Wales and more widely, about the future shape and structure of devolution in Wales.

The House of Commons Welsh Affairs Committee carried out formal pre-legislative scrutiny of the draft Bill, reporting in February 2016. The Assembly's Constitutional and Legislative Affairs also undertook pre-legislative scrutiny, reporting in November 2015.

The Secretary of State for Wales gave evidence on the draft Bill to both committees, and discussed its content with a wide range of stakeholders including the First Minister, the Assembly's Presiding Officer, representatives from the business and the legal communities and academics. He also held briefing sessions with MPs and Peers.

Wales Office officials provided technical briefing on the draft Bill to members of the Welsh Affairs Committee, and held regular meetings with colleagues in the Welsh Government and the Assembly Commission, and a range of other stakeholders, to garner views on the draft Bill and the changes that should be made to its contents.

On 29 February 2016 the Secretary of State for Wales announced the need for significant changes to the Bill as a result of pre-legislative scrutiny and stakeholders' feedback. The Wales Office continues to work on a large number of further improvements to the Bill to ensure the new reserved powers model is clear and durable.

The Wales Bill will be introduced in the second legislative session of Parliament.

Funding Floor for Wales

At the Autumn Statement and Spending Review 2015 the Chancellor of the Exchequer announced a "floor" in the level of funding the UK Government provides to the Welsh Government. The funding floor means that the Welsh Government will receive at least 115% of comparable spending per head in England for the duration of the current Parliament; well within the "fair funding" range recommended by the Holtham Commission..

This historic funding guarantee fulfils a key St David's Day commitment, and forms part of a strong financial package announced at the Spending Review which provides long term financial certainty for Wales. The Welsh Government's block grant will reach almost £15 billion by 2019-20, and the Welsh Government's capital funding will increase by over £900 million over 5 years – an increase of over 16% in real terms to support investment in projects that matter to the Welsh economy.

The Secretary of State discussed the proposed funding floor with interested parties in Wales to inform the Ministers' decisions about the level at which it should be set. The Wales Office worked closely with HM Treasury to secure the commitment.

Welsh Rates of Income Tax: Removing the Need for a Referendum

At Autumn Statement the Chancellor also announced that the UK Government will legislate to remove the need for a referendum to introduce Welsh Rates of Income Tax. This will be done in the Wales Bill.

The Secretary of State for Wales was instrumental in this change of policy, engaging with a wide range of stakeholders in Wales to establish the broad support for removing the need for a referendum. It will mean that the Welsh Government can take on more responsibility for how it raises money as well as how it spends it, becoming more accountable to the people it serves.

Wales Act 2014

The Wales Office also worked closely with HM Treasury, Her Majesty's Revenue and Customs (HMRC) and the Welsh Government on the further implementation of the Wales Act 2014. This included the full devolution of business rates on 1 April 2015, and continuing discussions on the new devolved taxes in Wales to replace the current Landfill Tax and Stamp Duty Land Tax by April 2018.

In December the Secretary of State for Wales published his first report on the progress made to implement the 2014 Act's fiscal provisions. The Wales Act 2014 requires that the Secretary of State and the Welsh Ministers each report annually on progress to Parliament and the Assembly.

Objective 3: To represent Wales' interests within the UK Government, and to promote a wider understanding of UK Government policies in Wales

Autumn Statement and Budget

Wales Office Ministers have been keen to ensure that the Autumn and Budget Statements benefit Wales. In addition to the Cardiff City Deal and Severn Tolls, Budget 2016 announced the Government's intention to enter into negotiations for a City Deal for Swansea and opened the door to a growth deal in North Wales.

As a result of the Budget 2016, there were also further increases in the personal allowance which will lift a further 61,000 individuals in Wales out of income tax altogether compared to 2015-16. Additionally, there were further decreases announced to corporation tax helping over 25,000 Welsh businesses reinvest profits and create more jobs.

Representing Welsh interests in key non-devolved policy areas

In 2015-16 the Wales Office ensured that the interests of Wales were fully taken into account in the development of policy in non-devolved areas.

In October, Wales Office Ministers visited Bridgend Job Centre to see the progress of the roll out Universal Credit. They saw first hand how Universal Credit was supporting job seekers to engage with the labour market to help find work.

In March, the Secretary of State hosted a Mobile Operators Roundtable to encourage operators to invest in their networks for better voice and data services across Wales. The event brought together executives from MobileUK, Three, O2, EE and Vodafone and discussed mobile phone coverage in rural areas and how to tackle the prevalence of "not spots" - areas with absolutely no reception - in parts of Wales, particularly the north.

Relationships across Government and Stakeholder engagement

Ministers and officials in the department have developed strong working relationships with colleagues in departments across Whitehall that they use to influence policy and departmental activity. The Wales Office now has a dedicated external relations manager who leads a programme of activity to improve stakeholder relations and ensure the department is able to work effectively with third parties and external organisations.

Acting as the lead within UK Government on Welsh language issues

The Wales Office leads in the UK Government on Welsh language issues, and therefore a significant amount of our actions are focused on encouraging a pro-active approach from other Departments. As a result of this, when UKTI launched their "Exporting is Great Campaign", the Export Hub Truck was wrapped bilingually when it visited Wales, The Export Hub brought together advice and

practical guidance for all businesses on how they can find customers overseas for their products and services, and in Wales this was all provided bi-lingually.

The Wales Office has had regular communications with the Welsh Language Commissioner continuing to assess how Welsh Language Standards should apply to the UK Government and to discuss current issues around the Welsh Language.

Objective 4: To ensure the Wales Office delivers its objectives with good governance principles and having regard to the need to secure value for money

The delivery of our three policy objectives above is underpinned by objective 4 and six principles of efficiency and good corporate governance. They are:-

- **providing value for money and managing costs effectively.** We review all Service Level Agreements with other departments providing services to the Wales Office to make sure that services are provided efficiently and economically;
- **ensuring good financial management,** with effective financial controls in place;
- **responding accurately and promptly** to public correspondence, Parliamentary Questions, Freedom of Information requests and Parliamentary and Assembly enquiries;
- **maintaining a competent, highly motivated workforce** who are able to participate in the running and future direction of the Wales Office;
- **managing information effectively,** ensuring information held by the Wales Office is managed and protected properly to safeguard the interests of Government and individual members of the public; and
- **creating a pleasant working environment** for all staff in Wales Office buildings.

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

Finance

Of the £13,761 billion Welsh settlement, the Wales Office allocation for 2015-16 was around £4.4 million, which was spent largely on Wales Office staff and accommodation, and other Wales Office responsibilities such as the reimbursements of Lord Lieutenants of Wales. The remainder of the settlement (£13.7 billion) was the grant to the Welsh Government and Welsh Consolidated Fund.

The Wales 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

The Wales Office 2015-16 budget was set in the 2013 spending round. The budget was reduced by 10% in real terms in comparison to 2014-15 and was in line with the targets set for the other Territorial Offices.

To help meet this 10% reduction the Wales Office reviewed its staffing levels. Staff costs represent around 60% of Departmental spend and reductions have been achieved in this area through natural wastage, and running a voluntary early departure scheme in 2011-12 and 2014-15.

The Department also identified a number of potential efficiency savings; for example in travel and subsistence, (Spend on travel and subsistence decreased by 22% from 2014-15 to 2015-16) The Department also has tenants (the Greater London Lord Lieutenancy) in the London Office which generates rental income of £51k per annum for the Department and also improves the utilisation of our accommodation.

The Department continues to look to share services and expertise with the other Territorial Offices and other Government Departments wherever possible to both drive down costs and improve 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

As a small Department, the Wales Office has continued with 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 in terms of economies of scale and expertise to the Department. We have service level agreements in place with the MoJ for these services.

It is down to the professionalism of our staff, and the increasing efficiency in the way we do business, that a reduction in workforce has not impacted on the quality of our service and ability of the Office to deliver its objectives.

Pension Liabilities

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

Transparency

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

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

During 2015-16 we dealt with over 170 Freedom of Information (FOI) requests as set out below.

Description	Number
FOI requests received, of which:	171
Responses replied to within 20 working days or within permitted extension	169 (98%)
Internal Review of our response requested	3
Response referred by requestor to the Information Commissioner	1

Our Parliamentary performance over 2015-16 is summarised below:

Target	%
100% of named day questions on time	99%
100% of ordinary written questions on time	99%

Our performance in handling correspondence during 2015-16 was:

Target	%
100% Correspondence dealt with within 15 days	97%

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 which 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 44% of its staff) in Wales, located in Cardiff Bay near the National Assembly for Wales and key stakeholders. Both offices meet the requirements of the Equalities Act.

Health and Safety

There were no health and safety issues reported during the year.

Sustainable Development

This sustainable development report has been prepared in accordance with 2015–2016 guidelines laid down by HM Treasury in ‘Public Sector Annual Reports: Sustainability Reporting’ published at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/512663/PU1935_Public_sector_ARA_sustainability_guidance_2015-16. 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 Wales Office 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 Wales Office Departmental Board regularly monitors the Departments’ environmental performance.

Greening Government Commitments

The Greening Government Commitments launched on 1 April 2011 require Departments to take action to significantly reduce environmental impact.

Change Adaptation and Mitigation

The Wales Office takes advice from the Ministry of Justice on measures necessary to adapt to future climate change.

Carbon Reduction Commitment

The Carbon Reduction Commitment is managed by the Ministry of Justice.

The Wales Office is committed to reducing its environmental impact by:

- a Encouraging the use of video conferencing rather than travelling to meetings;
- b Using recycled paper; and
- c Using public transport rather than cars when travelling to meetings.

C02 Emissions Tonnes					
	2011/12	2012/13	2013/14	2014/15	2015/16
Air travel	2.49	21.46	19.8	0.63	3.56
Rail travel	15	13.73	8.66	10.07	10.12
Car mileage	2.05	2.08	2.15	1.91	0.38
Gas heating	13.86	17.59	16.35	10.76	16.77
Electricity	35.04	33.9	32.35	31.63	26.59
Waste	0.86	0.85	0.83	0.87	0.32
Total C02 (tonnes)	69.3	89.61	80.14	55.87	57.74
Water Consumption Cubic meters*	474	361	869	2224	1972

Where the Wales 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. The Wales Office has a continuing programme of work to reduce its environmental impact, including:

- increasing the range of items that can be collected for recycling in both of our buildings;
- encouraging the use of video conferencing rather than travelling to meetings; and
- replacing printers with more energy efficient models.

Financial Review

In 2015-16 the Wales Office spent £13.4 billion 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 2015-16

At the start of the year the Wales Office was voted £13.688 billion in its Main Estimate. By the final Single Supplementary Estimate, this had increased to £13.761 billion largely due to a £72,652,000 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	3,946	4,382	436	10

The underspend of £436k against the Estimate is mainly attributable to the Department carrying vacant posts for a period during the year, efficiency savings, unused non cash budget and unused contingency funds.

Wales Office – Capital

Spending in Department Expenditure Limits		Outturn £000	Estimate £000	(Overspend)/ Under-spend £000	Percentage of estimate %
A	Wales Office	45	50	5	10

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	13,392,591	13,756,544	363,953	2.6

Reconciliation of net resource expenditure between Estimates, budgets and accounts

	2015-16 £000	2014-15 £000
Net Resource Outturn (Estimates)	13,396,515	13,552,000
Adjustments to remove non budget items		
Grants to the Welsh Consolidated Fund	(13,392,591)	(13,547,659)
Other		
Total Resource Budget Outturn	3,924	4,341
Of which		
Departmental Expenditure Limit (DEL)	3,946	4,323
Annually Managed Expenditure Limit (AME)*	(22)	18
Adjustments include		
Grants to devolved administrations - Wales	13,392,591	13, 547,659
Consolidated Fund Extra Receipts in the OCS		
Net Operating Cost (Accounts)	13,396,515	13,552,000

* AME relates to utilisation of an early retirement provision and the creation of a new provision for dilapidations See Note 12.

Glynne Jones
Accounting Officer

5 July 2016

2 The Accountability Report

Corporate Governance Report

Directors' Report

Wales Office Ministers and Directors'

The Ministers and Directors of the Wales Office during 2015-16 are shown in the table below:-

Wales Office Ministers/Directors
Rt Hon Alun Cairns MP* – Secretary of State for Wales from 19th March 2016 Parliamentary Under-Secretary of State for Wales to 19 th March 2016
Rt Hon Stephen Crabb MP* – Secretary of State for Wales to 19th March 2016
Lord Bourne* – Parliamentary Under-Secretary of State for Wales from May 2015
Guto Bebb MP* – Parliamentary Under-Secretary of State for Wales from 19th March 2016
Baroness Randerson* – Parliamentary Under-Secretary of State for Wales to May 2015
Ian Summers – Lead NEBM
Isobel Garner – NEBM
Glynne Jones – Director
Geth Williams – Deputy Director, Constitution and Corporate Services
Allan Ross – Deputy Director, Press and Communications
Kate Davies – Deputy Director, Private Office from 2nd July 2015
Robin Healey – Deputy Director Policy from 15th February 2016
Sian Osborne – Deputy Director, Private Office to 22nd May 2015

Footnotes

- * Following the 2015 General Election, The Rt. Hon Stephen Crabb MP and Alun Cairns MP were reappointed as Secretary of State for Wales and Parliamentary Under-Secretary of Wales respectively. Lord Bourne of Aberystwyth was appointed as Parliamentary Under-Secretary of Wales replacing Baroness Randerson. On the 19th March 2016, following a Cabinet reshuffle the Rt Hon Alun Cairns MP was appointed Secretary of State for Wales and Guto Bebb MP was appointed Parliamentary Under-Secretary of State for Wales.

The Wales Office had two non-executive board members (NEBM) – Ian Summers (lead NEBM) and Isobel Garner (NEBM). Ian Summers stood down on 31 March 2016 but during the year was the Chair of the Wales Office Audit and Risk Assurance Committee and member of the Wales Office Departmental Board. Isobel Garner was a member the Audit and Risk Assurance Committee and Wales Office Board and took over Ian Summer’s roles on 1 April 2016. Details of all Wales Office committees and membership are outlined in the “Governance Statement” (page 22).

Security and information security

The Wales 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 was one security incident reported during 2015-16. This involved the loss of a laptop and its encryption token. The incident was fully investigated and appropriate action was taken.

Audit

The financial statements are audited by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament on the audit examination. Auditors’ remuneration is disclosed at Note 3 to the accounts. During the reporting year no payment was made to the auditors for non-audit work (2014-15: £nil).

To the best of the Accounting Officer’s and Director’s knowledge, there is no relevant audit information of which the Wales 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 Wales Office’s auditors are aware of that information.

Statement of Accounting Officer's Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the Wales 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 Wales 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 Wales Office as Accounting Officer of the Wales 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 Wales Office, are set out in *Managing Public Money* published by the HM Treasury.

Governance Statement

This Statement sets out the basis on which the Wales Office was established; the way in which it is governed and managed; and how it is accountable for what it does. It is intended to provide a comprehensive and tailored statement of the basis on which the Accounting Officer can give assurance as to the proper functioning of the Office and its stewardship of public funds.

Status and role of the Wales Office

The Wales Office was established at the same time as the National Assembly for Wales in 1999. Its key purpose is to support the Secretary of State for Wales in promoting the best interests of Wales within the United Kingdom and ensuring the smooth operation of the devolution settlement in Wales. It is also responsible for the prompt payments of monies voted to the Welsh Consolidated Fund by Parliament (the Welsh Block Grant). In discharging these responsibilities, and in line with all other Departments of State, the Wales Office is responsible for putting in place sound governance and risk management arrangements.

Its Director is designated Accounting Officer.

Purpose of the governance framework

The governance framework comprises the systems and processes, and the culture and values, by which the Wales Office is directed and controlled and the means by which 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 framework incorporates a robust system for risk identification and management.

Governance framework

The Secretary of State for Wales provides political direction to the Wales 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 Wales Office Director.

Governance Arrangements

In 2015-16, the Wales Office introduced new governance arrangements. Following a review of governance by Internal Audit which noted that the role of the existing Boards, the Wales Office Strategy Board and Management Committee overlapped, it was agreed to merge the two existing Boards into a new Wales Office Departmental Board. This change brought the Wales Office governance arrangements into line with the other territorial offices which have one Board.

Wales Office Departmental Board

The Wales Office Departmental Board was established in September 2015 (the first meeting of the Board) and meets up to six times in a financial year. The Board is chaired by the Secretary of State or the Director of the Wales Office if Ministers are not present. It was agreed that Ministers should attend at least two meetings in the year.

The Departmental Board is responsible for setting the Department's strategic direction (aims and objectives) based on policies decided by Ministers, agreeing 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 assists the Secretary of State in delivering his responsibilities to Parliament. The Board comprises the Ministerial team, two independent non executive board members (NEBMs); and the Director, and Deputy Directors of the Department. The Head of Finance and Corporate Services attends all Board meetings in an advisory capacity on financial and governance issues.

Departmental Board meetings were held in September 2015, December 2015 and March 2016. The Wales Office Strategy Board met in July 2015 before merging into the Departmental Board. The Secretary of State chaired the July and March meetings with other meetings chaired by the Director of the Wales Office.

In 2015-16, the Wales Office Departmental/Strategy Board reviewed and agreed updates to the Departmental Business Plan and Strategic Risk Register. The updated Business Plan and Risk Register continue to reflect the Department's priorities, objectives, and key activities.

An interim review of the governance arrangements of the Department was undertaken by the lead Non Executive Board Member ((NEBM) in March 2016. The results of his review were presented to the Board at the March meeting. The lead NEBM excluded the current Board arrangements from the scope of his review as they were still new. The recommendations included the advising on the scope and timing of the next review, committee reports and risk management arrangements.

The Secretary of State held regular bilateral meetings with the Director to discuss policy, strategy and Departmental issues. The Secretary of State also chaired weekly meetings of the full Ministerial and senior management team which co-ordinated and discussed forthcoming Departmental and Ministerial business.

Attendance at the Wales Office Board (incorporating the Strategy Board, Management Committee) during the financial year was as follows:

Wales Office Board

Members	No. of Meetings Attended
Rt Hon Alun Cairns MP* Chair Secretary of State for Wales from 19th March 2016 Parliamentary Under-Secretary of State for Wales to 19th March 2016	2 of 6
Rt Hon Stephen Crabb MP* - Chair Secretary of State for Wales to 19th March 2016	2 of 6
Lord Bourne Parliamentary Under-Secretary of State for Wales from May 2015	2 of 6
Guto Bebb MP Parliamentary Under-Secretary of State for Wales from 19th March 2016	0 of 6
Ian Summers - Lead NEBM	6 of 6
Isobel Garner - NEBM	5 of 6
Glynne Jones - Director	6 of 6
Geth Williams - Deputy Director, Constitution and Corporate Services	6 of 6
Allan Ross - Deputy Director, Press and Communications	5 of 6
Kate Davies - Deputy Director - Private Office from 2nd July 2015	4 of 6
Robin Healey - Deputy Director, Policy from 15th February	1 of 6
Sian Osborne - Deputy Director, Private Office to 22nd May 2015	1 of 6

Footnotes

- * Following a Cabinet reshuffle on the 19th March the Rt Hon Alun Cairns MP was appointed Secretary of State for Wales and Guto Bebb MP was appointed Parliamentary Under-Secretary of State for Wales.

Committee Reporting to the Wales Office 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. One of the NEBMs is a qualified accountant. The lead NEBM stood down on 31 March 2016 after nearly 10 years in post. His “lead duties” were taken on by the other NEBM who has been in post for 1 year. A new NEBM was appointed with effect from 1 April 2016. The independent member has been in post for 2 years. The Committee operates in accordance with the Treasury’s Audit Committee Handbook and meets quarterly.

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 Wales Office Audit and Risk Assurance Committee during the financial year was as follows:

Audit and Risk Assurance Committee

Members	No. of Meetings Attended
Ian Summers – Lead NEBM, Chair	4 of 4
Isobel Garner – NEBM	4 of 4
Chris Southworth ¹ – Independent Member	4 of 4

Footnotes

Note 1: Chris Southworth is a Deputy Director, Economy Group from the Northern Ireland Office. He was appointed to the Committee in March 2014.

Other Committees

The Wales Office also has a Health and Safety (H&S) Committee with a remit to:

- advise the Management Committee on ensuring that the Wales Office provides a healthy and safe work environment for its staff, Ministers and visitors;
- actively manage identified H&S risks and monitor progress against the Occupational Health and Safety Corporate Plan; and
- further improve H&S performance and standards, and strive to exceed all statutory standards, codes of practice, regulations and applicable legal requirements.

The Health and Safety Committee, chaired by the Head of Corporate Services, met once during 2015-16. It considered a range of issues, including accident at work statistics and staff training as fire wardens and first aiders.

Accounting Officer Role

The Director of the Wales Office is its Accounting Officer (AO). In accordance with the responsibilities assigned to him in his appointment letter, and as set out in Managing Public Money, he is charged with the governance of the Wales Office.

The Accounting Officer is expected to take personal responsibility for:-

- regularity and propriety, including seeking HM Treasury approval for any expenditure outside the normal delegations;
- affordability and sustainability, respecting agreed budgets and avoiding unaffordable long term commitments;
- value for money assessments;
- being held accountable to Parliament through the Public Accounts Committee (PAC).

The Accounting Officer is expected to ensure that the Department operates effectively, complies with all relevant legislation and guidance and displays a high standard of probity. The Wales Office aims to:

Governance

- have a governance structure which transmits, delegates, implements and enforces decisions;
- have trustworthy internal controls to safeguard, channel and record the use of resources as intended;
- operate with propriety having regard to the need for proper conduct of public business;
- treat its suppliers and business counterparts fairly and honestly; and
- give timely, transparent and realistic accounts of its business.

Decision-making

- support its Ministers with clear, well reasoned, timely and impartial advice;
- make all its decisions in line with the strategy, aims and objectives of the organisation as set by Ministers and/or in legislation;
- meet the Treasury's requirements about limits on use of public resource;
- manage its staff fairly, with inclusive policies designed to promote and integrate diversity; and
- communicate its decisions openly and transparently.

Financial management

- ensure that financial transactions are regular and proper;
- use its resources efficiently, economically and effectively, avoiding waste and extravagance;
- carry out procurement and project appraisal objectively and fairly, seeking good value for the public sector as a whole;
- use management information systems to secure assurance about value for money and the quality of delivery and so make timely adjustments;
- avoid over-defining detail and imposing undue compliance costs, either on its own staff or on its suppliers and stakeholders;
- have practical documented arrangements for working in partnership with other organisations; and
- use internal and external audit to improve its financial management, internal controls and performance.

Decision taking and business management

The Wales Office is organised into four divisions to deliver its functions:

1. Constitution and Corporate Services
2. Private Office
3. Press and Communications
4. Policy

Each of these is headed by a senior member of staff who reports to the Director. Formal budgets were delegated by the Director to each Deputy Director in their roles as heads of division.

Divisional budgets were monitored by the senior team and financial reports were reviewed and discussed bi-monthly by the Wales Office Departmental Board/Management Committee and quarterly at the Audit and Risk Assurance Committee. The senior management team met on a regular basis to oversee and co-ordinate day-to-day business, management issues, and budgetary matters.

The Department has Service Level Agreements with the Ministry of Justice (MoJ) for most of its procurement needs and for a wide range of staffing, accommodation and financial services. It rarely but occasionally undertakes one-off small-scale procurements itself, under Government procurement rules.

Internal Audit

Internal Audit reviews during the year covered: data migration from to a new finance system, communications strategy, workforce planning, shared services and corporate governance.

Internal Audit identified a good level of control and found no significant control issues on their reviews and are able to give a moderate level of assurance that the Department's overall risk, control and governance framework is adequate to enable the achievement of its objectives and that the key risks to the Department are being effectively managed.

Compliance with the Corporate Governance Code

The Wales Office took full account of HM Treasury's guidance Corporate Governance in Central Government Departments (July 2011) 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 Wales Office 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, Wales Office 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 44 staff). The two NEBMs in post during 2015-16 brought extremely valuable skills and experience which are particularly relevant to the Wales Office. The lead NEBM – a qualified accountant has considerable experience of public accounting and audit at a senior level as well as operating within the devolved public sector in Wales.

The second NEBM has a portfolio career on improving public services and currently chairs the Health and Safety Executive audit and risk committee and Wales Audit Office Board. Prior to her non executive career she was Chief Executive of a County Borough Council in Wales. The Department, in consultation with the Cabinet Office, agreed to extend the terms of the lead NEBM to ensure that it has the opportunity to draw further on his experience in the run up to the 2015 General Election and beyond. The lead NEBM stood down on 31 March 2016 and his "lead duties" were taken on by the other NEBM. A new NEBM was appointed with effect from 1 April 2016.

- To ensure that the Audit and Risk Assurance Committee comprises at least three members, an official from the Northern Ireland Office was appointed as an independent member in March 2014. This appointment further strengthened the independence of the committee.
- Wales Office Board Membership does not comprise a qualified financial individual. Due to its size the Wales Office has one qualified financial professional, who attends all Board meetings in an advisory capacity.

Risk identification and management

The Wales Office's system of internal control is designed to identify business risk and manage it to a reasonable level. It is based on a continuous process designed to identify and prioritise risks to the achievement of the Wales Office's

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 2015-16, these have included the risk that the Wales Office fails to prepare the Wales Bill for introduction in the next Parliamentary session. On 29 February 2016 the Secretary of State for Wales announced significant changes to the Bill as a result of pre-legislative scrutiny and stakeholders' feedback. The Department has managed this risk by setting up a Programme Board with representatives from key Government Departments to oversee the work. Wales Office officials worked with other officials in key Departments to take forward a wide range of modifications to the draft bill. The risks associated with this work were regularly reviewed by the Wales Office Board, helping to ensure the work was prioritised and delivered by the agreed date.

The main operational risk identified was that the Wales Office is unable to provide adequate resources to deliver the new Government's commitments on Wales. The Department mitigates this risk through training and succession planning of existing staff and recruiting new staff with the right knowledge, experience and skills to hit the ground running. As a result the Department has successfully filled key vacant posts in comparison with previous years.

Capacity to handle risk

Risks were identified and articulated both at a strategic and an operational level by the Management Committee 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 Wales Office Departmental Board meetings. 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. The Department also produced a Risk Appetite Statement which was scrutinised by the ARAC.

Risk and control framework

The Wales Office had in place a Risk Management Policy Framework and Strategy, approved by the Wales Office Board, which was informed by the advice of the Audit and Risk Assurance Committee. Key elements were:

- a formal process for identifying, evaluating, managing and reporting risk;
- a system of analysis and reporting that identifies risk to objectives, risk impact and likelihood, current and planned mitigating action and individual risk owners;
- a formal programme incorporating procedures for the management of risk; and
- risk management awareness workshops.

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.

All key controls, identified as a result of an assessment of key business risks and the following key financial areas, were in place and had been applied. In particular these provided high assurance that:

- expenditure/income was recorded and properly spent and received with regard to propriety and regularity;
- the expenditure/income spent and received complied with legislation and regulations, including those which provided the legal framework within which the Wales Office conducted its activities;
- expenditure was properly classified and transfers of expenditure between expenditure classifications were made in accordance with the Finance Manual;
- there were no breaches of delegated financial authority;
- budgets were monitored regularly, actual expenditure was compared to forecasts, and variances reported to the Management Committee;
- controls were in place to ensure that the assets of the Wales Office were safeguarded against unauthorised use or disposal;
- there were control procedures in place to guard against fraud;
- information assets were monitored and risks properly assessed, reported on, recorded and quality reviewed (see information assurance section below);
- there were controls procedures in place for the Senior Information Responsible Officer to guard against breaches in information security; and
- there were no breaches of the policy regarding hospitality and gifts.

Security and information security

This is covered in the Performance Report. Please see page 20.

Information Risk and Assurance

Information Assets

The Wales 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.

Risks and their Management

The Wales Office has identified the following specific information risks:

1. loss of information, particularly when staff are travelling;
2. compromise of information by unauthorised access;
3. loss or corruption of information due to technical system failure; and
4. loss of information due to theft.

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

Management of risks

Risk 1: Loss of information, particularly when staff are travelling:

- staff have been given guidance on information handling which is specific to the Department, and which details their responsibilities. Staff are periodically reminded about the rules for safeguarding information when travelling;
- the Department has a clear desk policy for both of our offices that requires sensitive information to be stored appropriately; and
- staff have been made aware of procedures to report losses of sensitive information and items such as smart phones.

Risk 2: Compromise of information by unauthorised access:

- an access control system is maintained for records management that limits users to specific files only. Access is periodically reviewed; and
- HR files are secured in locked cabinets and in a lockable room.

Risk 3: Loss or corruption of information due to technical system failure:

We have assurance from MoJ's IT suppliers, under a service level agreement, that information is secure, regular backups of data are made and can be used for a recovery operation if necessary; and that old and obsolete files and data are safely destroyed.

Risk 4: Loss of information due to theft:

- it is mandatory for all staff to lock away all classified documents in secure cabinets. A check is undertaken daily to ensure that all cabinets are locked; and
- the clear desk policy is designed to prevent documents being left unsecured, and a number of spot-checks have shown that the policy is being adhered to.

Outcomes during 2015-16

There were no data losses during 2015-16. All staff completed mandatory information training by the end of March 2016.

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

Based on its work for the year ended 31 March 2016, the Audit and Risk Assurance Committee is able to provide a reasonable level of assurance on the adequacy of the internal and external audit arrangements for the Wales Office, the financial management arrangements in place, and on the assurances provided to the Accounting Officer in respect of the governance, risk management and control arrangements that have operated throughout the Department.

Assessment of system of internal control

On the basis of this review, I can give assurance that the system of internal control in the Wales Office is adequate to achieve Wales Office 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.

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. These comprise the sections on salary and pension entitlements.

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 Wales Office is not a direct employer. All staff are either Ministry of Justice or on loan from other Government Departments. Performance based non-consolidated performance-related payments for Senior Civil Servants in the Department are determined by the Ministry of Justice Remuneration Committee.

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 for Ministers are shown in the following tables. Salary figures include all allowances payable by the Wales 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 (£67,060 from 1 April 2014, £74,000 from 8 May 2015) 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 Wales Office Minister received benefits in Kind in 2015-16 or 2014-15.

Remuneration (salary, and pensions)

Ministers	Salary (£)		Pension benefits (to nearest £1000) ¹		Total (to nearest £1000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
The Rt Hon Alun Cairns MP, Secretary of State (From 19th March 2016)*	2,359	nil	1,000	nil	3,000	nil
The Rt Hon Stephen Crabb MP, Secretary of State (to 19th March 2016)**	67,505	48,088	24,000	15,000	92,000	63,000
Guto Bebb, Parliamentary Under Secretary of State (from 19th March 2016)***	nil	n/a	nil	n/a	nil	n/a
Lord Bourne, Parliamentary Under Secretary of State (from May 2015)****	nil	n/a	nil	n/a	nil	n/a
Baroness Randerson, Parliamentary Under Secretary of State (to May 2015)	n/a	nil	n/a	nil	n/a	nil

Notes to the table:

- 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.
- * Alun Cairns MP was appointed Secretary of State for Wales on the 19th March 2016. He previously held the role of Parliamentary Under-Secretary of State for Wales (As Under-Secretary of State for Wales his remuneration was borne by the Consolidated Fund). His salary for 2015-16 reflects his appointment to Secretary of State for Wales from 19th March. The full time equivalent of his salary is £67,505.
- ** Stephen Crabb MP held the post of Secretary of State for Wales until the 19th March 2016. The full time equivalent of his salary in 2015-16 was £67,505.
- *** Guto Bebb MP was appointed Parliamentary Under-Secretary of State for Wales on the 19th March 2016.
- **** Following the May 2015 general election Lord Bourne was appointed as Parliamentary Under-Secretary of State for the Wales Office and Department of Energy and Climate Change. 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 2016 £000	Real increase in pension at age 65 £000	CETV at 31 March 2016 £000	CETV at 31 March 2015 ^{*1} £000	Real increase/decrease in CETV £000 £000
Alun Cairns MP, Parliamentary Under Secretary of State (From 19th March 2016)	753	0-2.5	9	8	0
The Rt Hon Stephen Crabb MP, Secretary of State for Wales (to 19th March 2016)*	5099	0-2.5	57	39	9
Guto Bebb, Parliamentary Under Secretary of State (from 19th March 2016)	nil	nil	nil	n/a	n/a
Lord Bourne, Parliamentary Under Secretary of State from May 2015)	nil	nil	nil	n/a	nil
Baroness Randerson, Parliamentary Under Secretary of State (to May 2015)	nil	nil	nil	nil	nil

Notes to the table:

*1 To note that the “CETV at start date” figure this year does not match the “CETV at end date” figure from last year. This is due to the change in transfer factors used by the PCPF. The factors were changed in March 2016 following updated guidance from HM Treasury which sets the financial assumptions to use to calculate CETVs from PCPF. More information about this change can be found https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508105/Basis_for_setting_the_discount_rate_for_calculating_cash_equivalent_transfer_values_payable_from_the_public_service_pension_schemes.pdf

* Stephen Crabb MP held the post of Secretary of State for Wales until the 19th March 2016. His pension details disclosed for 2015-16 are to the 31st March 2016.

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 aged 55 or older on 1st April 2013 have transitional protection to remain in the previous 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.

Senior Managers' 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 Wales Office and thus recorded in these accounts.

Salary figures include all allowances payable by the Wales Office, 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 2015-16 relate to performance in 2014-15 and the comparative bonuses reported for 2014-15 relate to performance in 2013-14.

The Senior Managers were supported by the Head of Finance Head of Corporate Services who attends all meetings of the Wales Office Board and Audit and Risk Assurance Committee.

The salaries, bonuses taxable benefits in kind and pension entitlements for Senior Managers 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 (£'000) ³		Total (£'000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Glynne Jones, Director	85-90	80-85	nil	nil	nil	nil	41,000	39,000	125-130	120-125
Geth Williams, Deputy Director, Constitution and Corporate Services†	65-70	65-70	nil	nil	nil	nil	16,000	19,000	85-90	85-90
Allan Ross, Deputy Director, Press and Communications ††	75-80	35-40	0-5	n/a	nil	n/a	82,000	40,000	160-165	75-80
Kate Davies, Deputy Director, Private Office from 2nd July 2015†††	55-60	n/a	nil	n/a	nil	n/a	17,000	n/a	70-75	n/a
Robin Healey, Deputy Director Policy from 15th February 2016 ††††	5-10	n/a	nil	n/a	nil	n/a	3,000	n/a	10-15	n/a
Sian Osborne, Deputy Director, Private Office to 22nd May 2015 †††††	10-15	85-90	nil	nil	1,908	15,900	19,000	83,000	30-35	185-190
Stephen Hillcoat, Deputy Director, Private Office and Communications to 15th July 2014††††††	n/a	20-25	n/a	nil	n/a	nil	n/a	8,000	n/a	30-35

Notes to the table:

3. 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.

† Geth Williams was appointed Deputy Director Constitution and Corporate Services in June 2015. Prior to this appointment he was Deputy Director Constitution and Policy.

†† Allan Ross is on loan from the Cabinet Office. He was appointed Deputy Director Press and Communications on 1st October 2014. The full time equivalent of his salary in 2014-15 was in the range £70-£75k.

††† Kate Davies was appointed Deputy Director Private Office on 2nd July 2015. Her full time equivalent salary in the range of £75k-£80k.

†††† Robin Healey is on loan from the Rural Payments Agency (an executive agency of the Department of the Environment and Rural Affairs). He was appointed Deputy Director Policy in February 2016. The full time equivalent salary for Robin is in the range £65k-£70k.

††††† The full time equivalent salary for Sian Osborne is in the range £75k-£80k. Sian was on loan from the Welsh Government, until the 22nd May 2015, the Wales Office met the cost of her accommodation whilst working in London. To note that due to a retrospective update to salary data the 2014-15 pension benefits for Sian was recalculated.

†††††† The full time equivalent salary for Stephen Hillcoat in 2014-15 is in the range £75-80k.

Non – Executive Directors

Remuneration	Salary exc bonuses (including allowances)		Benefits in kind (to nearest £100)		Total	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Ian Summers, Audit Committee Chair to 31 March 2016	10-15	5-10	nil	nil	10-15	5-10
Isobel Garner Non Executive Director, from 1st April 2015	5-10	n/a	nil	n/a	5-10	n/a
David Crawley Audit Committee Chair to 31 March 2015	n/a	10-15	n/a	nil	n/a	10-15

Pension Benefits

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2016 £000	Real increase in pension and related lump sum at pension age at 31 March 2015 £000	CETV at 31 March 2016 £000	CETV at 31 March 2015 £000	Real increase/decrease in CETV £000
Glynne Jones, Director	25-30 plus lump sum 80-85	0-2.5 plus lump sum 0-2.5	522	454	21
Geth Williams, Deputy Director, Constitution and Corporate Services	20-25 plus lump sum 60-65	0-2.5 plus lump sum 2.5-5	379	334	12
Allan Ross Deputy Director, Press and Communications	10-15 plus lump sum 35-40	2.5-5 plus lump sum 5-7.5	191	130	40
Kate Davies, Deputy Director, Private Office from 2nd July 2015	10-15	0-2.5	117	100	3
Robin Healey, Deputy Director Policy from 15th February 2016	10-15 plus lump sum 30-35	0-2.5 plus lump sum 0-2.5	167	156	1
Sian Osborne Deputy Director, Private Office to 22nd May 2016†	15-20 plus lump sum 50-55	0-2.5 plus lump sum 0-2.5	216	203	8
Stephen Hillcoat Deputy Director, Private Office and Communications to 15th July 2014	n/a	n/a	n/a	n/a	n/a

Notes to the table:

† Sian Osborne was on loan from the Welsh Government, until the 22nd May 2015. To note that due to a retrospective update to salary data the 2014-15 figures were recalculated.

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 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **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 updated 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 3% and 12.5% up to 30 September 2015 and 8% and 14.75% from 1 October 2015 (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 0.8% of pensionable salary up to 30 September 2015 and 0.5% of pensionable salary from 1 October 2015 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 Wales Office in the financial year 2015-16 was £85-90k (2014-15, £80-85k). This was 2.8 times (2014-15, 2.9 times) the median remuneration of the workforce, which was £30,337 (2014-15, £29,495).

In 2015-16, no employees (2014-15, nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £8,300 to £86,000 (2014-15, £8,300 to £85,000).

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.

Staff Report

Staff Costs

The Wales Office expenditure on staff during 2015-16 is shown in the table below:-

					31 March 2016	31 March 2015
	Permanently Employed Staff	Others	Ministers	Special Advisors	Total	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	1,983	98	70	70	2,221	2,235
Social security costs	128	-	7	7	142	158
Other pension costs	302	-	-	6	308	302
Total Net Costs	2,413	98	77	83	2,671	2,695

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – know as “alpha” are an unfunded multi-employer defined benefit scheme but the Wales 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 2013 and details can be found at <http://www.civilservicepensionscheme.org.uk/media/94676/pcsp-2012-valuation-final-report-final-22072014.pdf>

For 2015-16 employer’s pension costs of £308k (2014-15: £302k) were payable to the PCSPS at one of four rates in the range 20% to 24.5% (2013-14: 16.7% to 24.3%) 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 (2014-15: £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% (2014-15: 3.0% to 12.5%) 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 £515.81. (2014-15: £0).

There were no retirements during 2015-16 (2014-15: Nil) on the grounds of ill health.

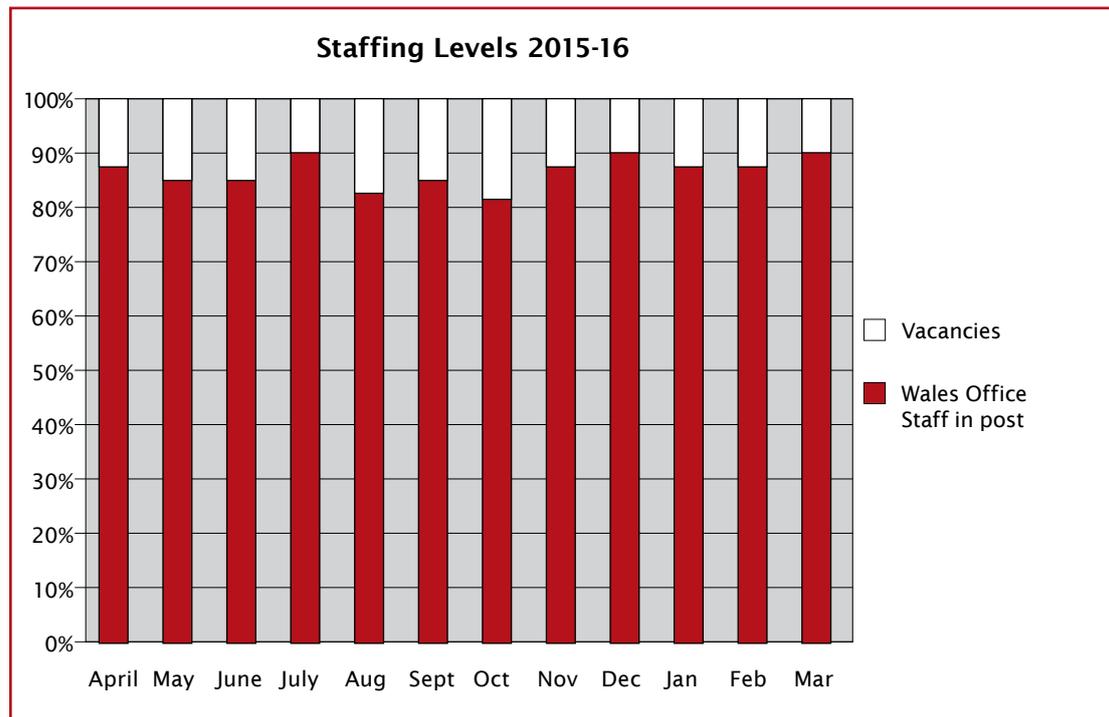
Staff Numbers

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

	<u>31 March 2016</u>	<u>31 March 2015</u>
Wales Office		
Permanent staff	42.0	43.0
Others	2.0	6.0
Ministers	2.0	2.0
Special Advisers	2.0	1.0
Total	48.0	52.0

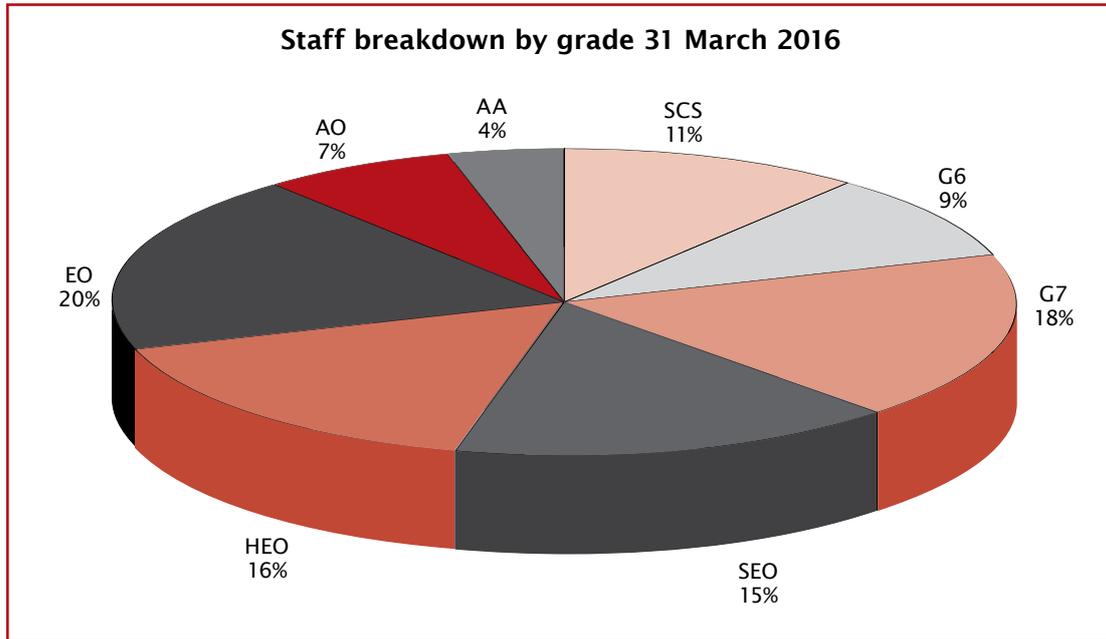
The Wales Office is not an employer in its own right and we therefore continue to receive employment services from the Ministry of Justice. Our current People Plan which was updated to dovetail with the revised Business Plan 2015-2020, focuses primarily on Resourcing, Inclusivity, Talent, Learning and Culture.

The Wales Office had a staff complement of 50 staff for the 2015-16 period but the chart below shows that the full complement was not achieved in any month:



The total number of staff in post as at 31 March 2016 was 44 (43.14 fte), which included one (temporary) agency personnel, one interim manager; four staff on fixed term contracts including three apprentices; two staff on loan from the Welsh Government (one unpaid); and ten staff on loan from other Government Departments plus one secondee from outside the Civil Service. 47% of staff were based in our Cardiff office and 53% in Gwydyr House, London.

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



Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	2015-16			2014-15		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
>£10,000	Nil	Nil	Nil	Nil	Nil	Nil
£10,000 – £25,000	Nil	Nil	Nil	Nil	1	1
£25,000 – £50,000	Nil	Nil	Nil	Nil	Nil	Nil
£50,000 – £100,000	Nil	Nil	Nil	Nil	1	1
£100,000 – £150,000	Nil	Nil	Nil	Nil	1	1
£150,000 – £200,000	Nil	Nil	Nil	Nil	Nil	Nil
Total number of exit packages	Nil	Nil	Nil	Nil	3	3
Total cost £000	Nil	Nil	Nil	Nil	211,500	Nil

There were no exit packages in 2015-16.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme are not included in the table.

Recruitment

The Wales Office undertook to fill 22 posts that became vacant during 2015-16. These were undertaken through a variety of routes as follows: Five posts were filled through managed loans with other government departments and one by a managed secondment; two posts were filled with reserve candidates from previous recruitment exercises internal to the civil service; seven posts were advertised internally civil service wide. Of these three exercises (for specialist communications staff) resulted in no applications and so progressed to external campaigns but still only resulted in one appointment. Four other posts were filled by apprentices recruited externally.

Departures, Resignations and Retirements

Over the past year, four staff left the Civil Service to join another sector; two staff were loaned to and three staff transferred to other government departments; and four staff on loan returned to their home departments. Of our four apprentices who were on fixed term contracts, two were promoted in other government departments, one took up full time study and one joined the private sector.

There were no retirements and no voluntary exit scheme was offered in-year.

Senior Civil Service

At the 31 March 2016 there were 5 substantive senior civil servant posts within the Wales Office.

Equal Opportunities

Staff in Senior Civil Service positions	March 2016	March 2015
Proportion of women	1 of 5	1 of 4
Proportion of women at Pay band 2 & above	0 of 1	0 of 1
Proportion of Black and Minority Ethnic (BME)	0 of 5	0 of 4
Proportion of Disabled staff	0 of 5	0 of 4

Staff Below Senior Civil Service Level	March 2016	March 2015
Women	47%	56%
BME	5%	7%
Disabled	5%	2%

Performance Management

The Wales Office is committed to effective performance management. In line with previous years all staff reviews were completed on time. Consistency checks and validation meetings were overseen by the Ministry of Justice HR Business Partner to confirm effective compliance with the process and provide an independent view.

Staff Engagement Survey

The Wales Office participates in the annual civil service-wide survey. In Autumn 2015 our overall staff engagement index was 61%, the Wales Office's highest ever score for the second year in a row. The survey questions are brigaded under nine themes. The top three themes with the highest positive scores were: Organisational Objectives and Purpose (90%); My Team (86%) as they were in 2014; and My Work (77%). All three areas had higher positive scores than in the previous year.

Our top positive scores related to staff:

having a clear understanding of the Office's purpose	94% positive
understanding how their work contributes to the offices objectives	91% positive
Believing that the people in their team can be relied upon to help when things get difficult in their jobs	91% positive
Believing that the people in their team work together to find ways to improve the service they provide	91% positive

Staff confidence in Leadership and Management of Change was evident in terms of the levels of positive scores achieved above High Performing Units (HPUs), i.e. the upper quartile for the UK Civil Service. This included staff agreeing that:

Senior Managers in the Office are sufficiently visible	14% above HPUs
I have the opportunity to contribute views before decisions are made that affect me	10% above HPUs
Senior Managers across the office inspire people to do their best	10% above HPUs

An action plan agreed by all staff is in place to help increase our Engagement Index further.

Learning and Development (L&D)

All Wales Office staff have continued to meet the Civil Service commitment to at least five Learning and Development (L&D) days each year.

Volunteering & Social Responsibility Initiatives

During the year, a new relationship was forged with the Volunteering Matters organisation who organised for seven members of the Policy Team to attend Woodlands Special School in Ely in Cardiff to decorate their games room.

The Apprentices also hosted pupils on work experience from Raynes Park High and Abbotsfield School which resulted in the Wales Office being nominated for the Work Experience Business of the Year Award by the Spark charitable organisation.

Employment of disabled persons

The Wales Office follows the Ministry of Justice (MoJ) Disability Policy and is committed to ensuring equality for all disabled staff. We promote a culture that enables disabled staff to participate fully in working life, and guidance on supporting disabled staff is provided through the Departmental Ability Manual. The Wales Office participates in the Guaranteed Interview Scheme (GIS) for candidates with a disability.

Sickness absence data

The average number of working days lost (AWDL) in the calendar year at the end of 2015 due to staff sickness was 4.9 days at the end of 2015. This remains well below the Civil Service average.

Spend on consultancy and temporary staff

There was no spend on consultancy in 2015-16.

The total spend on temporary staff in 2015-16 was £56,561. The Department used temporary staff to cover for staff on maternity leave and for vacant posts.

Off Payroll Appointments

In 2015-16 the Wales Office had no off payroll appointments for more than £220 per day and for duration of six months or longer.

Welsh Language

The Wales 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. The Wales Office ensures 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. We offered a month's intensive language training during the pre-election period to London staff who had had no exposure to Welsh Language in the past. Eight staff participated to improve their pronunciation skills and to learn some business skills including ability to provide out of office messages and bilingual greetings.

A skills audit of Wales Office staff is conducted annually and the results of this provide the foundation for our workforce and succession planning. 12% of staff employed were fully bilingual when surveyed in June 2015.

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 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 2015-16

		2015-16 Estimate			2015-16 Outturn			2015-16 Voted	2014-15 Outturn
SoPS Note		Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000	Outturn compared with Estimate: saving/ (excess) £000	Total £000
Departmental Expenditure Limit									
-Resource	1.1	4,382	-	4,382	3,946	-	3,946	436	4,323
-Capital	1.2	50	-	50	45	-	45	5	117
Annually Managed Expenditure									
-Resource	1.1	(20)	-	(20)	(22)	-	(22)	2	18
-Capital	1.2	-	-	-	-	-	-	-	-
Total Budget		4,412	-	4,412	3,969	-	3,969	443	4,458
Non-Budget									
-Resource	1.1	13,756,544	-	13,756,544	13,392,591	-	13,392,591	363,953	13,547,659
Total		13,760,956	-	13,760,956	13,396,560	-	13,396,560	364,396	13,552,117
Total Resource		13,760,906	-	13,760,906	13,396,515	-	13,396,515	364,391	13,552,000
Total Capital		50	-	50	45	-	45	5	117
Total		13,760,956	-	13,760,956	13,396,560	-	13,396,560	364,396	13,552,117

Net cash requirement 2015-16

		2015-16		2014-15
Note		Estimate £000	Outturn £000	Outturn £000
Net cash requirement	SOPS3	13,760,826	13,396,489	13,552,401

Administration costs 2015-16

		2015-16 Estimate £000	2015-16 Outturn £000	2014-15 Outturn £000
SOPS3		4,322	3,892	4,298

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 1. (Analysis of net outturn by section) and in the Financial Review Commentary on page 17.

SOPS1. Net Outturn

SOPS1.1 Analysis of net resource outturn by section

	Administration		Programme		Net Total compared to Estimate £000	Total £000
	Gross	Income	Gross	Income		
	£000	£000	£000	£000		
Spending in Departmental Expenditure Limits (DEL)						
Voted						
A Wales Office	3,943	(51)	54	-	3,946	4,323
Total Voted expenditure in DEL	3,943	(51)	54	-	3,946	4,323
Annually Managed Expenditure (AME)						
Voted expenditure	(22)	-	(22)	-	(22)	18
Total Voted expenditure in AME	(22)	-	(22)	-	(22)	18
Non-Budget Spending						
C Grant payable to the Welsh Consolidated Fund	-	-	13,392,591	-	13,392,591	13,547,659
Total for Estimate:	-	-	13,392,591	-	13,392,591	13,547,659
Total voted in Estimate	3,921	(51)	3,870	-	3,819	13,552,000

SOPS1.2. Analysis of net capital outturn by section

			2015-16 Outturn	2015-16 Estimate			2014-15 Outturn
	Gross	Income	Net	Net Total	Net Total Outturn compared with Estimate	Net	
	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)							
Voted expenditure							
A Wales Office	45	-	45	50	5	117	
Total Voted Expenditure in DEL	45	-	45	50	5	117	
Total for Estimate:	45	-	45	50	5	117	

SOPS2. Reconciliation of outturn to net operating cost expenditure

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

		<u>2015-16</u>	<u>2014-15</u>
		<u>Outturn</u>	<u>Outturn</u>
	SoPS Note	<u>£000</u>	<u>£000</u>
Total resource outturn in Statement of Parliamentary Supply			
Budget	1.1	3,924	4,341
Non-Budget	1.1	<u>13,392,591</u>	<u>13,547,659</u>
		<u>13,396,515</u>	<u>13,552,000</u>
Add:			
Capital grants (net of EU contributions)		-	-
Other		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
Less:			
Income payable to the Consolidated Fund		-	-
Other		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
Net Operating Costs in Statement of Comprehensive Net Expenditure			
		<u>13,396,515</u>	<u>13,552,000</u>

SOPS3. Reconciliation of Net Resource Outturn to Net Cash Requirement

	SoPS Note	Estimate	Outturn	Net total outturn compared with Estimate saving/ (excess)
		<u>£000</u>	<u>£000</u>	<u>£000</u>
Resource Outturn	1.1	13,760,906	13,396,515	364,391
Capital Outturn	1.2	50	45	5
Accruals to cash adjustment				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(120)	(100)	(20)
New provisions and adjustments to previous provisions		-	-	-
Departmental Unallocated Provision		-	-	-
Supported capital expenditure (revenue)		-	-	-
Prior Period Adjustments		-	-	-
Other non-cash items		(30)	(29)	(1)
<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				
Increase/(decrease) in stock		-	-	-
Increase/(decrease) in receivables		-	44	(44)
(Increase)/decrease in payables		-	(8)	8
Use of provisions		20	22	(2)
Removal of non-voted budget items:				
Consolidated Fund Standing Services				
Other adjustments				
Net cash requirement		<u>13,760,826</u>	<u>13,396,489</u>	<u>364,337</u>

SOPS4. Income payable to the Consolidated Fund

There is no income payable to the Consolidated Fund.

4.1 Consolidated Fund income

Income shown in note 4 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

	2015-16	2014-15
	£000	£000
Student Loans	25,791	18,348
Cleddau Bridge loan	100	-
Tai Cymru	8	8
Bank Interest	55	2
Buyout of Housing Revenue Account Subsidy System (HRA)	919,000	-
Amount payable to the Consolidated Fund	944,954	18,358
Balance held at the start of the year	-	-
Payments into the Consolidated Fund	944,954	18,358
Balances held on trust at the end of the year	-	-
The total income paid into the Consolidated Fund as at 31st March 2016:	944,954	18,358

3. Parliamentary Accountability Disclosures

3.1 Losses and Special Payments

The Wales Office has made no losses and special payments in 2015-16 (2014-15 Nil).

3.2 Contingent Liabilities

The Wales Office does not have any contingent liabilities.

Glynne Jones
Accounting Officer

5 July 2016

The Certificate and Report of the Comptroller and Auditor General to The House of Commons

I certify that I have audited the financial statements of the Wales Office for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. 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 Remuneration and Staff Report and the Parliamentary Accountability Disclosures that is described in those reports and disclosures as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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.

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 2016 and shows that those totals have not been exceeded; and
- 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2016 and of the Department's net operating cost 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 other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Performance Report and Accountability Report 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 Remuneration and Staff Report and the Parliamentary Accountability disclosures 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.

Sir Amyas C E Morse
Comptroller and Auditor General

5 July 2016

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 2016

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.

	Note	2015-16 Core Department <u>£000</u>	2014-15 Core Department <u>£000</u>
Administration Costs:			
Staff Costs	2	2,671	2,695
Other costs	3	1,250	1,654
Income	4	(51)	(51)
Programme Expenditure			
Staff Costs	2	-	-
Other costs	3	13,392,645	13,547,702
NLF interest payable		1,667	1,677
NLF interest receivable		(1,667)	(1,677)
Net Operating Cost for the period ended 31 March 2016		<u>13,396,515</u>	<u>13,552,000</u>
Total Expenditure		13,396,566	13,552,051
Total Income		(51)	(51)
Net Operating Cost for the year ended 31 March 2016		<u>13,396,515</u>	<u>13,552,000</u>
Other Comprehensive Net Expenditure			
Net Operating Cost		13,396,515	13,552,000
Items that will not be reclassified to net operating costs:			
Net (gain) / loss on revaluation of Property, Property, Plant and Equipment		(120)	81
Total Comprehensive Expenditure for the year ended 31 March 2016		<u>13,396,395</u>	<u>13,552,081</u>

Statement of Financial Position As at 31 March 2016

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	31 March 2016 <u>£000</u>	31 March 2015 <u>£000</u>
Non-current assets:			
Property, plant and equipment	5	4,814	4,749
Financial assets	9	11,330	11,419
Receivables falling due after more than one year	10	4	33
Total non-current assets		<u>16,148</u>	<u>16,201</u>
Current assets:			
Trade and other receivables	10	367	284
Cash and cash equivalents	8	201	49
Total current assets		<u>568</u>	<u>333</u>
Total Assets		<u>16,716</u>	<u>16,534</u>
Current liabilities			
Trade and other payables	11	(1,260)	(1,098)
Total current liabilities		<u>(1,260)</u>	<u>(1,098)</u>
Assets less net current liabilities		<u>15,456</u>	<u>15,436</u>
Non-current liabilities			
Provisions	12	(64)	(86)
Financial liabilities	11	(11,330)	(11,419)
Total non-current liabilities		<u>(11,394)</u>	<u>(11,505)</u>
Assets less liabilities		<u>4,062</u>	<u>3,931</u>
Taxpayers' equity:			
General fund		1,138	1,124
Revaluation reserve		2,924	2,807
Total taxpayers' equity		<u>4,062</u>	<u>3,931</u>

Glynne Jones
Accounting Officer

5 July 2016

Statement of Cash Flows For the year ended 31 March 2016

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	2015-16 £000	2014-15 £000
Cash flows from operating activities			
Net operating cost	SOCNE	(13,396,515)	(13,552,000)
Adjustments for non-cash transactions	3	129	200
(Increase)/Decrease in trade and other receivables	10	(54)	(62)
<i>Less: Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure¹</i>	10	10	-
Increase/(Decrease) in trade and other payables	11	83	(600)
<i>Less: Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure¹</i>	11	(75)	739
Use of provisions	12	(22)	(22)
Net cash outflow from operating activities		(13,396,444)	(13,551,745)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(45)	(656)
(Loan repayments) from other bodies		79	67
Net cash outflow from investing activities		34	(589)
Cash flows from financing activities			
From the Consolidated Fund (Supply) – Current Year ²		13,396,641	13,552,269
Repayment of loans from the NLF ³		(79)	(67)
Net financing		13,396,562	13,552,202
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		152	(132)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities	SOPS4	944,954	18,358
Payments of amounts due to the Consolidated Fund ⁴	SOPS4	(944,954)	(18,358)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund			
	8	152	(132)
Cash and cash equivalents at the beginning of the period	8	49	181
Cash and cash equivalents at the end of the period		201	49

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 2016

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 2014	607	2,975	3,582
Changes in accounting policy	-	-	-
Balance at 1 April 2014	607	2,975	3,582
Net Parliamentary Funding			
- Drawn down	13,552,269	-	13,552,269
- Deemed	181	-	181
Unspent Supply drawn down repayable to the Consolidated Fund	11 (49)	-	(49)
CFERs payable to the Consolidated Fund	-	-	-
Comprehensive Net Expenditure for the year	SOCNE (13,552,000)	-	(13,552,000)
Non-cash charges			
Auditor's remuneration	3 29	-	29
Other Reserve Movements			
- Property, Plant & Equipment	-	(81)	(81)
Movements in Reserves			
- Transfers between reserves	87	(87)	-
Balance at 31 March 2015	1,124	2,807	3,931
Balance at 1 April 2015	1,124	2,807	3,931
Net Parliamentary Funding			
- Drawn down	SCF 13,396,641	-	13,396,641
- Deemed	11 49	-	49
Unspent Supply drawn down repayable to the Consolidated Fund	11 (201)	-	(201)
Comprehensive Net Expenditure for the year	SOCNE (13,396,515)	-	(13,396,515)
Non-cash charges			
- Auditor's remuneration	3 29	-	29
Other Reserve Movements			
- Property, Plant and Equipment	-	120	120
- Other	5	3	8
Movements in Reserves			
- Transfers between reserves	6	(6)	-
Balance at 31 March 2016	1,138	2,924	4,062

Notes to the Accounts for the Year Ended 31 March 2016

1a) Statement of accounting policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2015-16 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 Net Expenditure.

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.

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 and are non-contributory except in respect of dependants' benefits. 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 1.37% (2014-15:1.3%) in real terms if material.

1.9 Operating income

Operating income is income earned by the Department.

1.10 Consolidated Fund Extra Receipts (CFERs)

CFER's 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 2.2%; by comparison 2014-15 rates were 2.2%.

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

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 – financial assets

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.

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 buildings 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

New standards which are not yet effective are not expected to have a material impact on the future Wales Office accounts.

2. Staff costs

					31 March 2016	31 March 2015
	Permanently Employed Staff	Others	Ministers	Special Advisors	Total	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	1,983	98	70	70	2,221	2,235
Social security costs	128	-	7	7	142	158
Other pension costs	302	-	-	6	308	302
Total Net Costs	2,413	98	77	83	2,671	2,695

3. Other Expenditure

	31 March 2016	31 March 2015
Note	£000	£000
Accommodation, maintenance and utilities	407	482
Communications, office supplies and services	48	56
Rentals under operating leases: land and buildings	140	34
Rentals under operating leases: other (plant, machinery, vehicles etc)	30	96
Service concession charges: IT	74	-
Service concession charges: Other	-	19
IT services & telecommunications (non-service concession arrangements)	34	51
Other contracted out services	14	14
Professional services	71	3
Travel and subsistence	115	152
Voluntary Early Departure Scheme	-	211
Training and other staff related costs	16	13
Bank fees and charges	2	2
Other administration expenditure	24	47
Events and Conferences	-	128
Allocation of overheads	146	146
Non-cash items		
Depreciation	100	131
Auditors' remuneration and expenses	29	29
Provision provided for in year	-	40
Total Administration Costs	1,250	1,654
 <i>Programme Costs - Wales Office</i>		
Lord Lieutenants' expenses	54	43
Funding of the National Assembly for Wales	13,392,591	13,547,659
Total Programme Costs	13,392,645	13,547,702
 Net Operating Expenditure for the year ended 31 March 2016	 13,393,895	 13,549,356

4. Income

	Note	<u>31 March 2016</u> £000	<u>31 March 2015</u> £000
Income			
Rental income		51	51
Total Income		<u>51</u>	<u>51</u>

There is no income payable to the Consolidated Fund

5. Property, Plant and Equipment

	Freehold Land	Freehold Buildings	Plant & Equipment	Furniture & Fittings	Total
	£000	£000	£000	£000	£000
2015-16					
Cost or valuation					
At 1 April 2015	2,766	1,844	157	259	5,026
Additions	-	-	45	-	45
Revaluations	71	(31)	1	1	42
Reclassifications	-	-	-	-	-
At 31 March 2016	2,837	1,813	203	260	5,113
Depreciation					
At 1 April 2015	-	-	(153)	(124)	(277)
Charged in year	-	(80)	(2)	(18)	(100)
Revaluations	-	80	(1)	(1)	78
Reclassifications	-	-	-	-	-
At 31 March 2016	-	-	(156)	(143)	(299)
Net book value at 31 March 2016	2,837	1,813	47	117	4,814
Net book value at 1 April 2015	2,766	1,844	4	135	4,749
All assets are owned by the Wales Office	2,837	1,813	47	117	4,814

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
2014-15						
Cost or valuation						
At 1 April 2014	2,764	1,690	157	259	545	5,415
Additions	-	-	-	-	117	117
Revaluations	2	(508)	-	-	-	(506)
Reclassifications	-	662	-	-	(662)	-
Restatements	-	-	-	-	-	-
At 31 March 2015	2,766	1,844	157	259	-	5,026
Depreciation						
At 1 April 2014	-	(329)	(135)	(107)	-	(571)
Charged in year	-	(96)	(18)	(17)	-	(131)
Revaluations	-	425	-	-	-	425
Reclassifications	-	-	-	-	-	-
At 31 March 2015	-	-	(153)	(124)	-	(277)
Net book value at 31 March 2015	2,766	1,844	4	135	-	4,749
Net book value at 1 April 2014	2,764	1,361	22	152	545	4,844
Asset financing:						
Owned	2,766	1,844	4	135	-	4,749

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 2016</u>	<u>31 March 2015</u>
	<u>£000</u>	<u>£000</u>
Obligations under operating leases comprise:		
Land & Buildings:		
Not later than one year	90	90
Later than one year but not later than five years	360	360
Later than five years	91	182
Total	<u>541</u>	<u>632</u>

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

In 2014-15, the Wales Office has entered a peppercorn rent period for the lease and following the completion of their review the Commission on Devolution exited their lease in the first quarter of 2014-15.

7. Financial Instruments

7.1 Categories of Financial Instruments

		31 March 2016	31 March 2015
	Note	<u>£'000</u>	<u>£'000</u>
Financial Assets			
Cash	8	201	49
<i>Loans and Receivables < 1yr</i>			
Other receivables (gross)	10	113	76
National Loans Fund – capital	10	79	68
<i>Loans and Receivables > 1yr</i>			
National Loans Fund	9	11,330	11,419
Carrying amount of Financial Assets		<u>11,723</u>	<u>11,612</u>
Financial Liabilities			
<i>Financial Liabilities at amortised cost</i>			
National Loans Fund – capital	11	(11,409)	(11,487)
Carrying amount of Financial Liabilities		<u>(11,409)</u>	<u>(11,487)</u>

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 exposed to little credit, liquidity or market risk.

8. Cash and cash equivalents

	<u>31 March 2016</u>	<u>31 March 2015</u>
	<u>£000</u>	<u>£000</u>
Balance at 1 April 2015	49	181
Net change in cash and cash equivalents	152	(132)
Balance at 31 March 2016	<u>201</u>	<u>49</u>

All balances were held with the Government Banking Service.

9. Investments

	<u>Loans funded from National Loans Fund</u>
	<u>£000</u>
Balance at 31 March 2015	11,419
Capital payment adjustment	(10)
Loans repayable within 12 months transferred to receivables	(79)
Balance at 31 March 2016	<u>11,330</u>

10. Trade Receivables and other current assets

	<u>31 March 2016</u>	<u>31 March 2015</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Trade receivables	46	43
VAT receivables	14	20
Deposits and advances	9	9
Other receivables	44	4
Prepayments and accrued income	46	10
Current part of NLF loan – interest receivable	129	130
Current part of NLF loan – capital	79	68
Total receivables	<u>367</u>	<u>284</u>
	<u>31 March 2016</u>	<u>31 March 2015</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due after more than one year:		
Deposits and advances	4	8
Prepayments and accrued income	-	25
Total receivables	<u>4</u>	<u>33</u>

11. Trade Payables and other current liabilities

	<u>31 March 2016</u>	<u>31 March 2015</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Other taxation and social security	46	58
Trade payables	50	1
Other payables	94	178
Accruals	661	614
Current part of NLF loan – capital	79	68
Current part of NLF loan – interest payable	129	130
Amounts issued from the Consolidated Fund for supply but not spent at year end	201	49
Total payables	<u>1,260</u>	<u>1,098</u>
	<u>31 March 2016</u>	<u>31 March 2015</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due after more than one year:		
NLF loans	11,330	11,419
Total payables	<u>11,330</u>	<u>11,419</u>

12. Provisions for Liabilities and Charges

	Early Retirement Costs	Leasehold Dilapidation Costs	Total
	£000	£000	£000
Balance as at 1 April 2014	68	-	68
Provided in year	-	40	40
Provisions not required written back	-	-	-
Provisions utilised in year	(22)	-	(22)
Unwinding of discount	-	-	-
Balance as at 1 April 2015	46	40	86
Provided in year	-	-	-
Provisions not required written back	-	-	-
Provisions utilised in year	(22)	-	(22)
Unwinding of discount	-	-	-
Balance as at 31 March 2016	24	40	64

Early Retirement Costs are the sums payable to former members of staff when they are granted early retirement from the civil service. These amounts are made in either monthly payments (ACP payments) up until they reach 60 years of age, lump sums or a combination of the two. Our Pension Provider (MyCSP) estimates the amounts that should be payable to these individuals and provision for these amounts is made in our accounts.

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

	Early Retirement 2015-16	Leasehold Dilapidation 2015-16
	£000	£000
Not later than one year	24	-
Later than one year and not later than five years	-	-
Later than five years	-	40
Balance as at 31 March 2016	24	40

	Early Retirement 2014-15	Leasehold Dilapidation 2014-15
	£000	£000
Not later than one year	22	-
Later than one year and not later than five years	24	-
Later than five years	-	40
Balance as at 31 March 2015	46	40

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 has been 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 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the Wales Office can be made.

Appendix 1: Public Expenditure Core Financial Tables

TABLE 1

Spending by Wales Office & Welsh Government 2011-12 to 2019-20										
	2011-12	2012-13	2013-14	2014-15	2015-16	2015-16	2016-17	2017-18	2018-19	2019-20
	Outturn	Outturn	Outturn	Outturn	Plans	Outturn ⁽²⁾	Plans	Plans	Plans	Plans
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Wales Office Expenditure										
Resource expenditure within Administration Costs	5,099	5,501	4,406	4,280	4,322	3,892	4,350	4,430	4,520	4,610
Other resource expenditure	34	57	43	43	60	54	130	130	130	130
Wales Office Resource⁽²⁾	5,133	5,558	4,449	4,323	4,382	3,946	4,480	4,560	4,650	4,740
Wales Office Capital	185	319	564	117	50	45	30	30	30	0
Wales Office Resource + Capital DEL⁽²⁾	5,318	5,877	5,013	4,440	4,432	3,991	4,510	4,590	4,680	4,740
<i>less depreciation & impairments</i>	<i>-70</i>	<i>-72</i>	<i>-71</i>	<i>-131</i>	<i>-120</i>	<i>-100</i>	<i>-70</i>	<i>-70</i>	<i>-70</i>	<i>-70</i>
Wales Office DEL⁽³⁾	5,248	5,805	4,942	4,309	4,312	3,891	4,440	4,520	4,610	4,670
Welsh Government DEL and Total Welsh Block⁽⁶⁾										
Resource	13,659,943	13,653,771	14,466,418	14,202,351	13,567,904	13,335,178	13,689,170	13,913,426	14,013,724	14,132,896
Capital	1,385,694	1,361,724	1,324,687	1,500,097	1,552,515	1,536,333	1,543,771	1,523,952	1,572,318	1,656,696
Total Resource + Capital	15,045,637	15,015,495	15,791,105	15,702,448	15,120,419	14,871,511	15,232,941	15,437,378	15,586,042	15,789,592
<i>less depreciation & impairments</i>	<i>-427,664</i>	<i>-406,226</i>	<i>-757,100</i>	<i>-448,732</i>	<i>-640,095</i>	<i>-513,783</i>	<i>-589,240</i>	<i>-636,264</i>	<i>-662,945</i>	<i>-687,423</i>
Welsh Government DEL^{(3) (5)}	14,617,973	14,609,269	15,034,005	15,253,716	14,480,324	14,357,728	14,643,701	14,801,114	14,923,097	15,102,169

(1) Totals may not sum due to roundings.

(2) Including depreciation & impairments

(3) Resource + capital - depreciation & 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

Changes to Welsh Government Departmental Expenditure Limit for 2011-12 to 2019-20 since publication of 2014-15 Report & Accounts

	2011-12 Outturn £m	2012-13 Outturn £m	2013-14 Outturn £m	2014-15 Outturn £m	2015-16 Provisional Outturn £m	2016-17 Plans £m	2017-18 Plans £m	2018-19 Plans £m	2019-20 Plans £m
Capital DEL plus Resource DEL:									
June 2015	15,045.637	15,015.495	15,791.105	15,703.110	15,040.606	0.000	0.000	0.000	0.000
Spending Review									
2015 Spending Review Outcome	0.000	0.000	0.000	0.000	0.000	15,146.500	15,305.539	15,433.532	15,620.072
Interdepartmental transfers									
from Home Office: Health Migrant Levy	0.000	0.000	0.000	0.000	0.804	5.746	0.000	0.000	0.000
from Home Office: Police Funding	0.000	0.000	0.000	0.000	0.000	5.495	10.110	18.411	29.930
from DCMS: Superfast Broadband	0.000	0.000	0.000	0.000	10.037	0.000	0.000	0.000	0.000
from DECC: Energy Efficiency	0.000	0.000	0.000	0.000	1.456	0.000	0.000	0.000	0.000
to BIS: Invest in People Delivery	0.000	0.000	0.000	0.000	-0.464	0.000	0.000	0.000	0.000
Spending Policy									
Budget Exchange	0.000	0.000	0.000	0.000	86.230	0.000	0.000	0.000	0.000
Coastal Communities Fund	0.000	0.000	0.000	0.000	2.293	0.000	0.000	0.000	0.000
Retiring of Summer Budget 15 reductions from 2016-17 to 2015-16	0.000	0.000	0.000	0.000	-49.943	49.943	0.000	0.000	0.000
Cash management rebate	0.000	0.000	0.000	0.000	0.152	0.000	0.000	0.000	0.000
Air Ambulance Charities (LIBOR fines)	0.000	0.000	0.000	0.000	1.750	0.000	0.000	0.000	0.000
Structural Funds – West Wales	0.000	0.000	0.000	0.000	3.807	0.000	0.000	0.000	0.000
Support for charities	0.000	0.000	0.000	0.000	0.005	0.000	0.000	0.000	0.000
Tampon Tax	0.000	0.000	0.000	0.000	0.000	0.497	0.000	0.000	0.000
Cardiff City Deal	0.000	0.000	0.000	0.000	0.000	10.000	10.000	10.000	10.000
Barnett Consequentials									
Summer Budget 2015	0.000	0.000	0.000	0.000	4.213	0.000	0.000	0.000	0.000
Budget 2016	0.000	0.000	0.000	0.000	0.000	14.760	111.729	124.099	129.590
2014-15 Council Tax Freeze	0.000	0.000	0.000	0.000	8.776	0.000	0.000	0.000	0.000
Floods (Storms Desmond & Eva)	0.000	0.000	0.000	0.000	10.697	0.000	0.000	0.000	0.000
Departmental outturn (underspend compared to final plans)									
Final Outturn 2014-15	0.000	0.000	0.000	-0.662	0.000	0.000	0.000	0.000	0.000
Provisional Outturn 2015-16	0.000	0.000	0.000	0.000	-248.908	0.000	0.000	0.000	0.000
Subtotal	0.000	0.000	0.000	-0.662	-169.095	15,232.941	15,437.378	15,586.042	15,789.592
Capital DEL plus Resource DEL: June 2016	15,045.637	15,015.495	15,791.105	15,702.448	14,871.511	15,232.941	15,437.378	15,586.042	15,789.592

(1) Totals may not sum due to roundings.

TABLE 3**Cash grant paid to the Welsh Consolidated Fund 2014-15:
Provision & Final Outturn**

	Original Provision £'000	Final Provision £'000	Final Outturn £'000
Expenditure Classified as DEL ⁽²⁾	15,675,983	15,897,360	15,702,448
Expenditure Classified as AME	443,069	595,479	388,804
Total Managed Expenditure	16,119,052	16,492,839	16,091,252
<i>Less:</i>			
<i>Non Voted expenditure:</i>			
LA Credit Approvals	88,800	88,800	88,800
Other Non-Voted	6,078	6,078	6,078
Resource Ringfenced Non Cash	506,394	570,338	448,732
AME Non-cash	153,259	259,895	140,106
TOTAL NON VOTED TME	754,531	925,111	683,716
TOTAL VOTED TME	15,364,521	15,567,728	15,407,536
<i>Less:</i>			
Voted receipts			
Contributions from the National Insurance Fund	946,933	973,384	973,384
NDR Receipts	1,041,000	1,037,585	1,037,585
<i>Add:</i>			
Timing Adjustments			
Use of Provisions	270	135,270	135,270
Movements in balances on the Welsh Consolidated Fund			15,822
 Cash Grant payable to Welsh Consolidated Fund by Wales Office⁽³⁾	 13,376,858	 13,692,029	 13,547,659

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)

TABLE 4**Cash grant paid to the Welsh Consolidated Fund 2015-16:
Provision & Provisional Outturn**

	Original Provision £'000	Final Provision £'000	Estimated Outturn £'000
Expenditure Classified as DEL ⁽²⁾	15,040,606	15,120,419	14,871,511
Expenditure Classified as AME	647,476	301,424	78,488
Non Domestic Rates	956,000	956,000	956,000
Total Managed Expenditure	16,644,082	16,377,843	15,905,999
Less:			
<i>Non Voted expenditure:</i>			
LA Credit Approvals	88,800	88,800	88,800
Other Non-Voted	6,078	6,078	6,078
Resource Ringfenced Non Cash	626,499	640,095	513,783
AME Non-cash	201,635	-137,432	-269,388
TOTAL NON VOTED TME	923,012	597,541	339,273
TOTAL VOTED TME	15,721,070	15,780,302	15,566,726
Less:			
Voted receipts			
Contributions from the National Insurance Fund	1,081,564	1,103,144	1,103,144
NDR Receipts	956,000	956,000	956,000
Add:			
Timing Adjustments			
Increase / Decrease in Debtors & Creditors	120	35,120	35,120
Use of Provisions	266	0	-150,111
Movements in balances on the Welsh Consolidated Fund			0
TOTAL GRANT TO WELSH CONSOLIDATED FUND	13,683,892	13,756,278	13,392,591

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)

TABLE 5**Cash grant paid to the Welsh Consolidated Fund 2016-17: Provision**

	Original Provision £'000
Expenditure Classified as DEL ⁽²⁾	15,232,941
Expenditure Classified as AME	557,080
Non Domestic Rates	977,000
Total Managed Expenditure	16,767,021
Less:	
<i>Non Voted expenditure:</i>	
LA Credit Approvals	88,800
Other Non-Voted	6,078
Resource Ringfenced Non Cash	589,240
AME Non-cash	110,403
TOTAL NON VOTED TME	794,521
TOTAL VOTED TME	15,972,500
Less:	
Voted receipts	
Contributions from the National Insurance Fund	1,140,187
NDR Receipts	977,000
Add:	
Timing Adjustments	
Increase / Decrease in Debtors & Creditors	620
Cash Grant payable to Welsh Consolidated Fund by Wales Office⁽³⁾	13,855,933

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)

ISBN 978-1-4741-3525-2



9 781474 135252