



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

## **Annual Report and Accounts 2017-18**





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

## **Annual Report and Accounts 2017-18**

(For the year ended 31 March 2018)

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**

28th June 2018

HC: 1103

This is part of a series of Departmental publications which, along with the Main Estimates 2018-19, the document Public Expenditure: Statistical Analyses 2018, and the Supply Estimates 2017-18: Supplementary Budgetary Information, present the Government's outturn for 2017-18 and planned expenditure for 2018-19.



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ISBN - 978-1-5286-0558-8

CCS no - CCS0618898832 06/18

Printed on paper containing 75% recycled fibre content minimum

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

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# 1 The Performance Report

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## Ministerial Foreword

Building a confident, outward facing Wales fit for the future – this, I believe sums up an ambitious and productive year for the Office of the Secretary of State for Wales.

As Britain prepares to adapt to a new role in the world after leaving the European Union, it is apt that international activity has been a key theme in recent months.

Trade missions have done much to highlight Wales as a country with unique skills and people looking to do business far and wide. As Secretary of State I underlined this message on a visit to Japan – a key trading partner of Wales – and similarly on a visit to New York as part of the UK Government’s Board of Trade.

It was also my privilege to be on the first direct flight from Qatar to Cardiff secured with UK Government support over a number of years– a route which plugs Welsh business directly into the dynamic economies of the Gulf states, but also sets the stage for further Middle East investment in our country.

The point of this activity is to ensure we create the conditions for businesses to thrive in Wales, and create high skill and high-pay jobs.

The decision to abolish the Severn Tolls was a significant part of this strategy. Not only does scrapping tolls mean a major saving for drivers, it will pump over £100m a year extra into the Welsh economy as free flowing business traffic links us quickly and easily to businesses just across the border for the first time in half a century.

We are building on the natural synergies between South Wales and the South West of England by pursuing a cross-border growth corridor spanning the region. Just as the Northern Powerhouse links North Wales to the major cities of the North of England, the Great Western Powerhouse is a parallel development with the aim of unlocking fresh investment.

Across Wales, City Deals and growth deals are setting the templates for growth, from Swansea to Wrexham and Cardiff to Caernarfon.

To support our economy, the Office of the Secretary of State for Wales has organised a series of expert panel and departmental round tables involving ministers from across Government. These cover subjects from tourism to the

dairy industry and the Royal Welsh Show – a great shop window for our superb food products.

The UK Government’s industrial strategy has given fresh focus to this work through its various sector deals. These deals will allow the Welsh economy to play to our strengths in some key industries – financial services, aviation, nuclear power and construction. As we know, Cardiff is now a pre-eminent centre for financial services while North Wales is nationally recognised for its skill in aircraft technology, both military and civilian.

Getting the best deal for Wales naturally means ensuring we work in the most effective way with the Welsh Government. I am particularly pleased that, in partnership with Cardiff Bay, we jointly negotiated the issue of the Withdrawal Bill in a process that allowed the National Assembly to grant a legislative consent motion.

The value of this agreement is the certainty and clarity it brings to Welsh businesses in the approach to Brexit. The mature relationship between the governments of Westminster and Cardiff Bay has allowed us to focus on the outcomes that really matter – safeguarding jobs and exploring new opportunities for a confident, cosmopolitan Wales proud of its past, and ambitious for its future.

In closing, as ever I would like to thank my Ministerial team, Stuart Andrew MP and Lord Bourne of Aberystwyth and PPS Glyn Davies MP, for all their hard-work and support; and to the whole team at the Wales Office, for continuing to rise to the challenge of delivering on our priorities for the people of Wales.

**Rt Hon. Alun Cairns MP**  
**Secretary of State for Wales**



## Director's Introduction

I concluded my introduction to last year's Annual Report and Accounts by promising that this Office would be a strong voice within Westminster and a visible presence in Wales. I believe that this year's Report shows that is precisely what we have been. We continue to be closely involved in the work around EU Exit – ensuring Welsh interests are heard at the very heart of Government – but just importantly we have worked hard to reach out to stakeholders so that our views can be informed by the people and organisations that will be most affected. We have adopted that same inclusive approach across other areas as well, from City and Growth Deals the length and breadth of Wales through to the Industrial Strategy and supporting trade and investment. I am particularly proud of the role the Secretary of State for Wales and this Office played to secure the abolition of the Severn tolls, something that will provide a huge boost to the Welsh economy.

The next twelve months promise to be even more challenging but the quality and commitment of our staff leave me in no doubt that we will succeed and continue to deliver for Wales.

**Glynne Jones**  
**Director**

## Departmental Overview

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

The Office supports the Secretary of State for Wales in promoting the best interests of Wales within a strong United Kingdom. We are the face of the UK Government in Wales and the voice of Wales in Whitehall. Our primary and on-going goal is to support the Union of the United Kingdom.

Linked to this key objective is a more immediate goal, which is to ensure that the UK, including Wales, is in the strongest possible position on exiting the European Union. Our three key objectives to support these priorities are:

#### ***Objective 1 – Stronger Economy and Global Britain: support a strong outward looking Welsh economy***

***Ensure UK has a trade and foreign investment policy that delivers for Wales. Work with Department of International Trade (DIT), the Welsh Government and other key stakeholders to promote Wales and Welsh business to the world***

In August 2017, the Secretary of State travelled to Japan on a trade mission to engage with leading international companies and discuss the great potential for further inward investment in the United Kingdom. The Secretary of State met with executives from Panasonic, Toyota, Sony, and Hitachi, to offer the reassurance that Wales will still be the same outward looking, ambitious country it has always been after the UK leaves the European Union (EU). The Secretary of State also addressed the Clwb Hiraeth, an organisation founded by Japanese executives who have worked in Wales, on the 35th anniversary of its foundation and paid tribute to the business links between the two nations.

The Secretary of State travelled to Qatar in September 2017 and met with Qatari investors to discuss the many commercial opportunities that Wales offers. He met with senior executives at Qatar Airways to discuss the forthcoming inauguration of direct flights between Cardiff and Qatar's capital, Doha. This built upon discussions between the Secretary of State and Qatar Airways at the March 2017 UK-Qatar Investment Forum in Birmingham and the important work of the Department for International Trade in Qatar.

The Secretary of State joined the UK's revived Board of Trade as an Advisor, to ensure that Wales is fully represented and that Welsh interests are considered as the UK Government seeks to boost UK trade abroad. The Secretary of State and other Welsh advisors attended meetings of the Board in Bristol and Preston which were convened to help boost exports, attract inward investors and ensure the benefits of free trade are spread equally across the UK, including Wales.

In February 2018, the Secretary of State, together with two other Advisors on the Board of Trade, made a three-day visit to New York, New Jersey, and Pennsylvania, in a trip aimed at building on the existing trading relationship between Wales and firms in the US. As well as state officials, the Secretary of State met with representatives of companies in fields including pharmaceuticals and cybersecurity, making the case for Wales as an investment destination.

The Secretary of State for Wales also promoted Wales at the GREAT Festival of Innovation in Hong Kong in March 2018, joining efforts to promote the UK and Wales as a trading partner with Hong Kong and the rest of Asia. The Secretary of State delivered a keynote address to the festival, held meetings with major companies including Detroit Electric, Sanpower, and British Telecom, and attended a business gathering hosted by the territory's St. David's Society. Several Wales-based firms, including compound semi-conductor manufacturer IQE, also attended the festival, raising the profile of Welsh businesses on the world stage.

In addition to the overseas missions, we have worked closely to establish links with our counterparts in the Department of International Trade (DIT) and the Welsh Government. We have fed into the development of trade policy, through official-level networks, ensuring that Welsh stakeholder views are heard and the impact on the devolved nations is considered fully. We have joined Welsh Government trade and export events, to ensure joined up messaging and increasing awareness that Welsh businesses are eligible for support from both governments.

### ***Deliver UK Government infrastructure investment***

We worked alongside colleagues from the Department for Transport and HM Treasury to deliver on the Government's manifesto commitment to abolish the Severn Crossings tolls following the end of the operating concession. Having secured Cabinet agreement, the Secretary of State announced on 21 July 2017 that the tolls would be abolished by the end of 2018. The decision to abolish the tolls, which was a key priority for the Secretary of State, was welcomed by businesses and local stakeholders from across South Wales and the South West of England.

On 5 July 2017 the Government published its Transport Investment Strategy which set out the Government's vision to maintain and upgrade Great Britain's transport infrastructure. We worked with colleagues at the Department for Transport to develop a Strategy which appropriately recognised the devolution settlements in relation to transport infrastructure and promoted the role of UK Government investment in the sector in relation to Wales. Our engagement in the development of the strategy ensured that the Secretary of State's priority of improving cross-border connectivity was set at the heart of the Government's Transport Investment Strategy.

Between 29 November 2017 and 21 February 2018, the Government ran a public consultation into the future of the Great Western rail franchise, whose services play a crucial role in connecting passengers and commuters

within South Wales and into the West of England and to London. In February, working with colleagues from the Department for Transport, we arranged a series of events along the Great Western network, including events in Cardiff, Swansea and Carmarthen. The events gave Great Western passengers in Wales the opportunity to convey directly to key figures within the Department for Transport their requirements for services and stations within the franchise. As a result of the Office's delivery of these events, a number of formal submissions were submitted to the consultation.

On 20 July 2017 the Transport Secretary announced that the Government was providing the funding to develop six Strategic Outline Business Cases which would look at improvements to Welsh rail infrastructure to improve the journeys of rail passengers. The Strategic Outline Business Cases will look at improving:

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

Since the Transport Secretary's announcement, we have been developing these business cases in close cooperation with officials from the Department for Transport, Network Rail and the Welsh Government.

Working alongside colleagues from the Department for Transport, we have continued to support local partners in North Wales and the North West of England in developing their proposals to improve rail connectivity across the region. In particular we provided guidance and support to the Growth Track 360 alliance in relation to their West & Wales Strategic Rail prospectus for possible rail enhancements in the North West of England and North East Wales area. On 20 February, the Parliamentary Under Secretary of State (Commons) joined the Transport Secretary at the launch of Growth Track 360's prospectus in the House of Commons. In his closing address the Minister emphasised the Secretary of State's key message that improving connectivity is central to increasing cross-border collaboration and delivering economic growth on both sides of the border.

We worked with the Home Office to secure the installation of the latest Imposter Detection Equipment machines at Cardiff Airport, these state of the art machines support UK Border Force officers in checking documentation and keeping our border secure.

Making sure that Wales benefits from the exciting digital initiatives that the UK Government is delivering across the Union is a key objective for the Office. We have worked with the Department for Digital, Culture, Media and Sport (DCMS) on highlighting opportunities for Welsh localities in accessing investment. It was announced in the Spring Statement that Cardiff was one of the bids that was successful under Wave 2 of DCMS' Local Full Fibre Network Programme.

It is important that Wales is at the heart of new technology for connectivity and especially in non-urban areas. We have worked closely with DCMS to highlight the opportunities in Wales. Monmouthshire was chosen as one of the 5G Testbed sites to improve rural connectivity.

Maximising the contribution that Wales can make to meeting the UK's energy needs is a key priority for the Office. The Secretary of State met Hitachi, the parent company of Horizon Nuclear Power, on a number of occasions including during a visit to Japan in August.

We continue to support Horizon Nuclear Power and local stakeholders as they work towards agreeing a joint statement of common ground regarding the local impacts of the Wylfa Newydd development ahead of the submission of their DCO application.

As a measure of our success, Horizon Nuclear Power submitted its application for a site licence to the Office of Nuclear Regulation, and Horizon's application for a Generic Design Assessment for its Advanced Boiling Water Reactor (ABWR) was approved by the ONR in December 2017. This would be the first ABWR reactor in the country. We have also continued to engage with the Department for Business, Energy and Industrial Strategy and wider stakeholders on proposals for a Swansea Bay Tidal Lagoon.

We continued our efforts to ensure that business in Wales are able to contribute to future energy policy. In February, we hosted a consultation event with BEIS regarding changes to future Contracts for Difference (CfD) rounds. The CfD scheme provides support for new low carbon energy projects, to ensure that renewable energy schemes are sustainable and able to provide best value for bill payers.

The £20m restoration of RAF Valley runway was completed in September 2017, when the Parliamentary Under Secretary of State (Commons) visited. The refurbishment will help train the next generation of fighter pilots for the Royal Air Force and Royal Navy, demonstrating our commitment to secure long-term defence investment in Wales.

### ***Ensure UK economic policy works for Wales.***

The Office has been working closely with the Department for Business, Energy and Industrial Strategy (BEIS) to ensure that the needs of Wales are properly reflected in the UK Government's Industrial Strategy. This included working with BEIS as it developed policy, and encouraging joint working with the Welsh Government on issues that are of interest to both Governments.

We have also supported the implementation of the Industrial Strategy in Wales, through the roll out of sector deals for sectors such as automotive and the creative industries. The Industrial Strategy also outlined the importance of cross border growth corridors to Wales, and the Office is leading work to ensure administrative borders do not hinder growth.

Following the announcement of the abolition of the Severn tolls, in January, the Secretary of State for Wales hosted the first cross border Severn Growth Summit. The event brought together local partners and businesses from across the South West of England and the South East of Wales to explore how links between the two economies can be strengthened.

The Office has continued to work closely with Innovate UK to support innovation in Wales. In October, the Secretary of State announced £800,000 UK Government investment at Swansea University's SPECIFIC centre for the UK's first energy positive office.

In December we announced the start of formal negotiations on a North Wales Growth Deal. Since then there have been extensive meetings and discussions with local partners and significant progress is being made on agreeing a deal. Ministers have visited the region throughout the year, meeting with key stakeholder such as local authorities, universities and the private sector. Our focus has been to prioritise refinement of proposals to ensure that we develop a deal which will deliver for the people of North Wales and enable them to bring forward transformational projects for the region.

We continue to work closely with partners in the Cardiff Capital Region to deliver the City Deal, to which the UK Government has committed £500m to provide an investment fund and support electrification of the Valley Lines. In September the Secretary of State attended a signing ceremony to ratify the development of a compound semiconductor industry cluster in South-East Wales, following an investment of £37.9m into a cutting-edge facility as an anchor in the region for production of compound semiconductors. In February members of the business council were appointed, and we look forward to working closely with its Chair, Neil Brierley to ensure that the deal reflects the needs of the business community within the region.

At the November 2017 budget we announced that we were open to a growth deal in Mid-Wales. Since then, Ministers have undertaken a series of stakeholder engagement meetings in the region with representatives from universities, further education and the private sector. Our aim has been to inspire the region to grab this opportunity with both hands and for partners to come together to begin to develop an ambitious vision for Mid-Wales.

Following the historic heads of terms agreement signed last year, our focus for the Swansea City Deal for this year has been to support the region in developing their business cases to unlock the promised funding. Work to engage the private sector has been a priority, with the recruitment of the Chair of the Economic Strategy Board being undertaken in the final months of the year.

A £330m contract to design the next-generation of battlefield communications was awarded to General Dynamics based in Oakdale on 6 April 2017. The contract secured 250 jobs for the area's highly-skilled workforce and underlined the importance of Wales to our Armed Forces.

### ***Stakeholder engagement***

The Office has continued to grow its engagement with businesses from across Wales to ensure that UK economic policy works for Wales and that stakeholders in Wales have full access to UK Government support. We have hosted a number of events, both with Ministers and at official level, over the year. Our engagement has considered the views of different stakeholders from a range of different sectors across the whole of Wales. We have been ensuring that these views are understood across a variety of UK Government Departments.

Our 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.

The Office has worked with the Welsh Government and local stakeholders to find a sustainable solution for the future of the Ford Engine Plant in Bridgend.

The Secretary of State continues to work together with the Secretary of State for Business, Energy and Industrial Strategy and other Ministers to ensure the future of the steel industry in Wales, and has been part of the cross-departmental response to the announcement of potential action on imports by the US administration. The Office, at both ministerial and official level, continues to engage with key stakeholders in the steel sector, as well as the Welsh Government.

The Secretary of State is committed to supporting Welsh businesses and cultural organisations to promote Wales on a global stage, and has been an advocate for the Wales Week in London initiative – an annual festival celebrating Welsh interests in London via series of events and activities centred around St. David's Day. During this year's event, the Secretary of State urged Welsh business to take their products and services to world markets at a 'Celebrating Welsh Trade' event hosted in partnership with the Department of International Trade and the Foreign and Commonwealth Office. The Secretary of State also celebrated the strength and diversity of Welsh culture at a reception at Gwydyr House, and at a National Museum Wales pop up event in the capital. Promoting the nation as a global tourism destination topped the agenda when the Parliamentary Under Secretary of State (Commons) chaired a meeting with industry experts at the Department to discuss how the UK Government can further support the burgeoning market in Wales.

## ***Objective 2 – EU exit: ensure Wales’s interests are fully represented as we exit the EU***

### ***Ensure effective stakeholder engagement on EU exit and more widely***

The Office is ensuring that Welsh interests are at the heart of the Government’s thinking as we move towards our departure from the European Union (EU).

As part of this, engagement with Welsh stakeholders has been a key priority. Following the introduction of the European Union (Withdrawal) Bill in July 2017, the Secretary of State established an EU Exit Expert Implementation Panel comprised of organisations and businesses in Wales who are, or whose members are, directly affected by the UK’s exit from the European Union. The Panel has provided the Secretary of State with a forum to engage stakeholders on EU exit and to allow their views to inform UK Government policy, particularly on frameworks.

The Panel has met six times to date and has been joined by various Government Ministers, including the Parliamentary Under Secretary of State at the Department for Exiting the European Union and the Chancellor of the Duchy of Lancaster. Recent Panel meetings have examined in detail the case for frameworks in subject specific areas where powers returning from the European Union intersect with the Welsh devolution settlement. To help inform and contribute to this work the Panel has been joined for subject-specific discussions by experts from relevant sectors of Welsh business and from the environmental sector.

Our Ministers have also engaged in “roundtable” events on EU exit with representatives of specific sectors of the Welsh economy, alongside other UK Government ministers such as the Secretary of State for International Trade and the Minister for Farming. These have taken place right across Wales and have included roundtables with farmers, representatives from the tourism and life sciences sectors and leaders from local government in Wales. This stakeholder engagement enables Ministers to hear the views of those impacted by EU exit directly.

The Secretary of State for Wales has given evidence on matters related to EU exit to two committees of the National Assembly for Wales, helping to deliver the UK Government’s commitment to enhanced engagement with the devolved legislatures on EU exit. In September, the Secretary of State gave evidence to the Assembly’s Constitutional and Legislative Affairs Committee (CLAC) as part of their inquiry into intergovernmental relations. In November, the Secretary of State and the Parliamentary Under Secretary of State at the Department for Exiting the European Union gave evidence to a joint session the External Affairs and Additional Legislation Committee and CLAC as part of those committees’ inquiries into the European Union (Withdrawal) Bill.

The Office also facilitated several visits by high-profile Government ministers to Wales to meet with stakeholders to discuss matters of interest as the UK leaves the EU. These include the visit by the Secretary of State for Environment, Food



and Rural Affairs to the Royal Welsh Show in July, where he and the Secretary of State for Wales met with key farming stakeholders. Other Ministerial visitors included the Minister of State for Security, who visited the Port of Holyhead.

At official level, there continues to be a strong and productive working relationship with the devolved institutions in Wales. For example, UK Government officials (including officials from the Department) meet regularly with officials from the Welsh Government to discuss the implications of EU Exit on Welsh Ports.

***Ensure the EU Withdrawal Bill and other legislation on EU exit reflect the interests of Wales and the UK***

To help ensure our exit from the EU is smooth and orderly the Office has worked closely with the Department for Exiting the European Union (DExEU), the Cabinet Office and other Territorial Offices on devolution policy in relation to EU exit, as set out in the devolution clauses of the EU (Withdrawal) Bill. The Secretary of State for Wales is a member of key UK government cabinet committees at which strategic decisions on EU Exit matters are taken including the European Union Exit and Trade Committee, and can feed the views of Welsh stakeholders directly into the heart of UK government decision-making.

The Secretary of State for Wales, working with Cabinet colleagues including the former First Secretary of State and the Chancellor of the Duchy of Lancaster, has engaged in intensive discussions with Welsh Ministers on the devolution provisions in the Bill. These discussions have taken place multilaterally, including at meetings of Joint Ministerial Council (JMC) (European Negotiations), and bilaterally in direct discussions between UK Ministers and Welsh Ministers. These discussions are ongoing as the Bill continues its parliamentary passage.

The Office has also been closely involved in the analysis of where common (UK or GB-wide) frameworks may be needed in areas of returning EU law that intersect with devolved competence. This work has been underpinned by the principles agreed at the Joint Ministerial Committee in October.

The UK Government has been clear that the devolved administrations will continue to be able to take all decisions after EU exit that they can take currently, and that exit will result in the devolved administrations receiving extensive new powers as we depart the EU. This was confirmed when the UK Government published provisional analysis of the returning EU powers<sup>1</sup> on 9 March.

The analysis showed 64 areas which the UK Government believes intersect with Welsh devolved competence, of which 40 could be exercised at the devolved level with either no further action needed or non-legislative frameworks needing to be put in place. 24 policy areas may require legislative UK frameworks, in whole or in part, and are now subject to more detailed analysis and discussion.

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<sup>1</sup> <https://www.gov.uk/government/publications/frameworks-analysis>

The Department will now be working with other UK Government departments and the Welsh Government on the detailed implementation of legislative and non-legislative UK frameworks, including their governance.

The Office is at the heart of the Government's work to prepare the secondary legislation needed to ensure the statute book functions once the UK leaves the EU. This includes discussions with the Welsh Government on the corrections that need to be made to ensure our laws work in both devolved and non-devolved areas after we exit the EU.

We are also working with other departments on parliamentary legislation relating to EU exit to ensure they fully reflect the interests of Wales and take account of the Welsh devolution settlement. These include the Trade Bill, Customs Bill and the planned Agriculture and Fisheries Bills.

### ***Objective 3 – United Nation: deliver a clearer and sustainable devolution settlement***

#### ***Implement the Wales Act 2017 and ensure the new model of Welsh devolution works effectively.***

The Wales Act 2017 provides for a clearer, fairer and stronger devolution settlement for Wales. The new reserved powers model places Welsh devolution on a firm foundation with a clear separation between reserved and devolved matters. Following consultation with the First Minister and the Assembly Presiding Officer, the Secretary of State made regulations in November specifying 1 April 2018 as the 'Principal Appointed Day', the day on which the new reserved powers model comes into force. This is the same date on which the new Welsh devolved taxes come on stream (see below).

The regulations also bring into force many of the further powers being devolved to the Assembly and Welsh Ministers under the Wales Act 2017. This includes powers over Assembly elections and local government elections in Wales, transport and the environment. Most of these new powers also come into force on 1 April.

The Office drafted guidance for UK Government departments on working with the new Welsh devolution settlement. The new Devolution Guidance Note 18 sets out how officials should work with the new reserved powers model when developing UK government policy and when considering the impact of Assembly legislation. Following publication, we will engage with key departments to arrange awareness raising sessions with policy officials.

During the passage of the Wales Act 2017 the Government also committed to making clear how each executive function in devolved areas will be exercised in future. On 28 March the Secretary of State laid the draft Welsh Ministers (Transfer of Functions) Order 2018 which transfers the remaining 'pre-commencement' functions<sup>2</sup> in devolved areas as well those functions in newly

<sup>2</sup> Pre-commencement functions are functions in devolved areas exercisable by Ministers of the Crown before the Assembly gained full law-making powers on 5 May 2011.

devolved areas not transferred on the face of the Wales Act 2017. The Order also delivers a commitment made in the St David's Day Agreement to clarify the UK Government and the Welsh Government's respective responsibilities for civil contingencies in Wales. The draft Order is subject to approval in both Houses of Parliament and by the Welsh Ministers before being made.

### **Water Protocol**

In November 2017 the UK Government and the Welsh Government agreed a water protocol for England and Wales to safeguard water resources, water supply, and water quality for consumers on both sides of the border. The protocol meets a key commitment made during the passage of the Wales Act 2017 and replaces the Secretary of State powers of intervention over water in section 114 of the Government of Wales Act 2006. The protocol takes effect from 1 April, the date on which the intervention powers are repealed.

### **Wales Act 2014**

In December 2017 the Secretary of State for Wales published the third 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. The third report highlighted that Welsh devolved taxes replacing Stamp Duty Land Tax and Landfill Tax in Wales (the Land Transaction Tax and Landfill Disposals Tax respectively) come into force on 1 April.

### ***Supporting Welsh cultural, social, and economic interests in Wales and the UK***

In February, the Secretary of State for Wales became the first person to address a meeting of the Welsh Grand Committee in the House of Commons in the Welsh language. While members of the committee had previously spoken in Welsh when meeting in Wales, this was the first time the first language of many of its members (including the Secretary of State) had been used in a debate in the Palace of Westminster outside of the Welsh Affairs select committee. As well as celebrating the cultural and linguistic heritage of its Welsh members and their constituents, the move was also cost neutral to the taxpayer with translation services provided from Parliament's existing budget.

In August 2017 we announced that Eyrn Ogwen Williams would lead an independent review of S4C. The review was published in March and was a thorough and insightful examination of 3 key issues: S4C's public service remit and its ability to deliver high quality content; S4C's funding methods; and its governance structure. It presents a package of reforms which have the potential to deliver real change to make S4C a better organisation that more effectively serves Welsh speaking audiences across the UK and abroad. The Government will accept all the recommendations, and also announced that we will maintain S4C's exchequer funding at its current level for the next 2 years. Together this provides the channel with the funding certainty it needs to plan for the long term and deliver the much-needed reforms.

The Office provided support to Glamorgan County Cricket Club in their bid for Cardiff to become part of the City 2020 cricket franchise. The SWALEC stadium – the home ground of GCC – was chosen as a City host venue reinforcing Wales’s position as a sporting nation.

The Secretary of State was delighted to host a reception of officers from the four Welsh police forces to thank them for the incredible work they do. Last year Welsh police forces helped respond to so many national incidents, such as the terror attacks in Manchester and London, and the Grenfell tragedy, as well as international catastrophes such as Hurricane Irma in the British Virgin Islands. Welsh police officers also gave a masterclass in the management of the safety of over 200,000 fans at the Champions League final in Cardiff.

Whilst neither Swansea or St. David’s were successful in their bids to become the UK Capital of Culture, the Office was pleased to support them in their campaigns which helped to promote the two cities and Wales’s distinct cultural heritage to an audience across the whole of the UK and beyond.

In June 2017 we announced that we will hold 2018-Armed Forces Day in Llandudno. The town will hold the national event on the 30th June – the first time it has been held in Wales since Cardiff in 2010.

We worked with the Home Office, who awarded £1.5m to the Police and Crime Commissioner for South Wales to help tackle violence against women and girls.

It is essential that public boards serving the whole of the UK are filled by talented people from across the Union. The Office has promoted the opportunities available throughout the year, including hosting a talent development event with BEIS in September, and highlighting campaigns through its regularly communication and social media channels. In July Elan Closs Stephens was appointed to the new BBC Unitary Board; in January Keith Towler was appointed to the Youth Justice Board and most recently Dr Brian Morgan was appointed to BEIS’ Regulatory Policy Committee.

We continued to work closely with colleagues at the Department for Transport and Welsh Government officials to facilitate their ongoing procurement process and finalise the arrangements for the devolution of the Wales and Borders franchise. This has included laying the transfer of functions order to transfer franchising functions.

## Finance and Governance

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

- **providing value for money and managing costs effectively.** We review all Service Level Agreements with other departments providing

services to the 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 Office;
- **managing information effectively**, ensuring information held by the 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 the Office's buildings.

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

### ***Finance***

The Department's 2017-18 budget was set in the 2015 Spending Round.

Of the £14.794 billion Welsh settlement, the Office's allocation for 2017-18 was around £5.1 million, which was spent largely on staff and accommodation, and other Departmental responsibilities such as the reimbursements of Lord Lieutenants of Wales. The remainder of the settlement (£14.789 billion) was allocated to the grant to the Welsh Consolidated Fund.

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

### ***Efficiency***

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

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

In respect of accommodation, the Department has tenants (the Greater London Lord Lieutenancy and Independent Commission for Aid Impact) in the London office which generated rental income in 2017-18 of £62k for the Department and makes more efficient use of our accommodation. We are also in regular discussions with the Government Property Unit (GPU) over its Hubs programme and have signed up to moving into the new UK Government Hub in central Cardiff on its completion in 2020.

As a small Department, the Office takes a cost effective and pragmatic approach to the provision of our internal corporate services, maintaining existing Ministry of Justice (MoJ) framework arrangements and contracts in areas such as security, facilities management, IT and financial services. These arrangements and contracts realise significant benefits to the Department in terms of economies of scale and expertise to the Department. We have service level agreements in place with the MoJ for these services.

### ***Pension Liabilities***

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

### ***Transparency***

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

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

During 2017-18 we dealt with 176 Freedom of Information (FOI) requests as set out below.

Description	Number
FOI requests received, Of which:	176
Responses replied to within 20 working days or within permitted extension	175 (99%)
Internal Review of our response requested	6
Response referred by requestor to the Information Commissioner	0

Our Parliamentary performance over 2017-18 is summarised below:

Target	Actual %
100% of named day questions answered on time	92%
100% of ordinary written questions answered on time	99%

Our performance in handling correspondence during 2017-18 was:

Target	Actual %
100% Correspondence dealt with within 15 days	90%

### ***Accommodation and Capital works***

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

In addition, the Department also rents office space (accommodating around 38% of its staff) in Wales, located in Cardiff Bay near the National Assembly for Wales and key stakeholders. As set out on the previous page, the Office is committed to moving to the new UK Government hub in central Cardiff in 2020.

Both our offices meet the requirements of the Disabilities 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 2017–2018 guidelines laid down by HM Treasury in ‘Public Sector Annual Reports: Sustainability Reporting’ published at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/655945/Public\\_sector\\_annual\\_reports\\_sustainability\\_reporting\\_guidance\\_2017-18.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/655945/Public_sector_annual_reports_sustainability_reporting_guidance_2017-18.pdf)

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

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

### ***Governance, responsibilities and internal assurance***

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

### ***Commitments on Environmental Impacts***

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

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/585344/greening-government-commitments-overview-reporting-requirements-2016-2020.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/585344/greening-government-commitments-overview-reporting-requirements-2016-2020.pdf)

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

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



<b>C02 Emission Tonnes</b>					
	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>
Air travel	19.8	0.63	3.56	5.09	36.01
Rail travel	8.66	10.07	10.12	16.06	15.56
Car mileage	2.15	1.91	0.38	1.21	1.92
Gas heating	16.35	10.76	16.77	18.81	23.59
Electricity	32.35	31.63	26.59	21.82	26.68
Waste	0.83	0.87	0.32	0.18	0.11
Total Co2 (tonnes)	80.14	55.87	57.74	63.17	103.87
Water consumption cubic metres*	869	2224	1972	6271	385

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

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

## Financial Review

In 2017-18 the Office spent £14.1 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 2017-18*

At the start of the year the Department was voted £14.323 billion in its Main Estimate. By the final Single Supplementary Estimate, this had increased to £14.794 billion largely due to a £470,943,000 increase in funding for the Welsh Consolidated Fund (WCF).

### *Explanation for variances between Estimate and Net Resource Outturn*

#### *Wales Office Resource*

Spending in Department Expenditure Limits		Outturn £000	Estimate £000	(Overspend)/ Under spend £000	Percentage of estimate %
A	Wales Office	4,805	5,110	305	6

The underspend of £305k against the Estimate is mainly attributable to lower legal costs than forecast from the Office of the Parliamentary Council for the Wales Bill, unavoidable delays in recruiting staff for new EU exit posts and prudent financial management.

#### *Wales Office - Capital*

Spending in Department Expenditure Limits		Outturn £000	Estimate £000	(Overspend)/ Under spend £000	Percentage of estimate %
A	Wales Office	73	120	47	39

The underspend is mainly attributable to lower costs than expected for capital improvements in Gwydyr House.

### *Grant payable to the Welsh Consolidated Fund*

Spending in Department Expenditure Limits		Outturn £000	Estimate £000	(Overspend)/ Under spend £000	Percentage of estimate %
Welsh Consolidated Fund		14,130,162	14,788,892	658,730	4.5

### *Reconciliation of net resource expenditure between Estimates, budgets and accounts*

	2017-18 £000	2016-17 £000
Net Resource Outturn (Estimates)	14,134,973	13,530,115
Adjustments to remove non- budget items		
Grants to the Welsh Consolidated Fund	(14,130,162)	(13,525,626)
Other		
<b>Total Resource Budget Outturn</b>	<b>4,811</b>	<b>4,489</b>
Of which		
Departmental Expenditure Limit (DEL)	4,805	4,513
Annually Managed Expenditure Limit (AME)*	6	(24)
Adjustments include		
Grants to devolved administrations - Wales	14,130,162	13,525,626
Consolidated Fund Extra Receipts in the OCS		
<b>Net Operating Cost (Accounts)</b>	<b>14,134,973</b>	<b>13,530,115</b>

\* AME relates to in 2017-18 an increase in provision for leasehold dilapidation costs and in 2016-17 utilisation of an early retirement provision See Note 11.

**Glynne Jones**  
**Accounting Officer**

**25th June 2018**

# 2 The Accountability Report

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## Corporate Governance Report

### Directors' Report

#### Ministers, Directors and Senior officials

Ministers/Directors/Senior officials
<b>Rt Hon Alun Cairns MP</b> – Secretary of State for Wales
<b>Stuart Andrew MP</b> – Parliamentary Under-Secretary of State for Wales from 9 <sup>th</sup> January 2018
<b>Guto Bebb MP</b> – Parliamentary Under-Secretary of State for Wales to 9 <sup>th</sup> January 2018
<b>Lord Bourne of Aberystwyth</b> – Parliamentary Under-Secretary of State for Wales from 27 <sup>th</sup> October 2017
<b>Lord Duncan of Springbank</b> – Parliamentary Under-Secretary of State for Wales to 27 <sup>th</sup> October 2017
<b>Isobel Garner</b> – Lead Non-Executive Board Member (NEBM)
<b>Tom Jones</b> – NEBM
<b>Glynn Jones</b> – Director
<b>Geth Williams</b> – Deputy Director, Constitution and Corporate Services
<b>Robin Healey</b> – Deputy Director, Policy
<b>Michael Dynan-Oakley</b> – Deputy Director, Private Office
<b>Allan Ross</b> – Deputy Director, Press and Communications
<b>Sarah Stoney*</b> – Deputy Director, Legal

\* Sarah Stoney is on loan from the Government Legal Department (GLD). She is a member of the Office's Senior Leadership Team but is not a member of the Departmental Board.

The Office had two non-executive board members (NEBM) – Isobel Garner (lead NEBM) and Tom Jones (NEBM). Details of all the Office's committees and membership are outlined in the "Governance Statement" (page 26).

#### ***Security and information security***

The Office does not handle a large volume of sensitive or personal data, but nonetheless is committed to ensuring the information it does hold is handled

and protected correctly and that we are compliant with the appropriate standards.

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

There was one security incident reported during 2017-18. This involved the loss of a laptop and mobile phone. The items were fully encrypted and did not contain confidential or sensitive information. The incidents were 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 (2016-17: £nil).

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

## Statement of Accounting Officer's Responsibilities

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

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

- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- Prepare the accounts on a going concern basis.

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

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Office, are set out in *Managing Public Money* published by the HM Treasury.

## Statement on the disclosure of relevant audit information

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

The financial statements are audited by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament on the audit examination. Auditors' remuneration and expenses are disclosed at Note 3 to the accounts. During the reporting year no payment was made to the auditors for non-audit work (2016-17: £nil).

I hereby confirm that so far as I am aware, there is no relevant audit information of which the Office's auditors are unaware and that I have taken all reasonable steps to ensure that I am aware of any relevant audit information and to establish that the Office's auditors are aware of that information.

I hereby confirm that the annual report and accounts as a whole are fair, balanced and understandable, and that I take personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and understandable.

## **Governance Statement**

This Statement sets out the basis on which the 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 Office***

The Department was established as the Wales Office at the same time as the National Assembly for Wales in 1999. It is now known as the Office of the Secretary of State for Wales. 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 Office is responsible for putting in place sound governance and risk management arrangements.

Its Director is designated as the Accounting Officer.

### ***Purpose of the governance framework***

The governance framework comprises the systems and processes, and the culture and values, by which the 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 Office and is accountable to Parliament. He is supported by two Parliamentary Under-Secretaries of State for Wales; one in the House of Commons and one in the House of Lords, and by a small team of civil servants led by the Director of the Office.

### ***Departmental Board***

The Departmental Board was established in September 2015 and meets up to six times in a financial year. The Board is chaired by the Secretary of State or the Director at meetings where Ministers are not required to be 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 May 2017, September 2017, December 2017, February 2018 and March 2018. The Secretary of State chaired the February meeting with other meetings chaired by the Director.

In 2017-18, the Departmental Board reviewed and agreed updates to and monitored progress of the Departmental Strategy Overview and the Strategic Risk Register. The updated Strategy Overview and Strategic Risk Register continue to reflect the Department's priorities, objectives, and key activities.

A review of the governance arrangements of the Department was undertaken by the lead Non-Executive Board Member (NEBM) in March 2018. The results of her review were that the current arrangements work in practice and do not give rise to any corporate governance risks, however further improvements to enhance governance were suggested. The suggestions included working to get an optimal mix of Board meetings and Workshops with the Secretary of State, further developing divisional business plans to reflect the priorities, risks and resources, and reviewing the annual work programme against best practice and the Board Operating Framework.

The Lead NEBM stated that 2017-18 has seen a change in focus on how the Department delivers the governance arrangements in practice which had built on the review she had undertaken in 2017. This included the Department now having a Board Operating Framework, the Director strengthening communications in the Department, and holding the first Departmental Board workshop in a new format.

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

### Departmental Board

Members	No. of Eligible Meetings Attended
<b>*Rt Hon Alun Cairns MP</b> Chair Secretary of State for Wales	1 of 2
<b>*Stuart Andrew MP</b> † Parliamentary Under-Secretary of State for Wales from 9th January 2018	0 of 1
<b>*Guto Bebb MP</b> † Parliamentary Under-Secretary of State for Wales to 9th January 2018	0 of 1
<b>*Lord Bourne of Aberystwyth</b> †† Parliamentary Under-Secretary of State for Wales from 27th October 2017	0 of 1
<b>*Lord Duncan of Springbank</b> ††† Parliamentary Under-Secretary of State for Wales to 27th October 2017	0 of 1
<b>Isobel Garner</b> – Lead NEBM	5 of 5
<b>Tom Jones</b> – NEBM	5 of 5
<b>Glynne Jones</b> – Director	5 of 5
<b>Geth Williams</b> – Deputy Director, Constitution and Corporate Services	5 of 5
<b>Allan Ross</b> – Deputy Director, Press and Communications	4 of 5
<b>Robin Healey</b> – Deputy Director, Policy	5 of 5
<b>Michael Dynan-Oakley</b> – Deputy Director, Private Office	5 of 5

\* Ministers attend two Board meetings a year.

† On the 9<sup>th</sup> January 2018 following a Cabinet reshuffle Stuart Andrew MP was appointed Parliamentary Under-Secretary of State for Wales replacing Guto Bebb MP.

†† Lord Bourne was appointed joint Parliamentary Under Secretary of State at the Department on 27 October 2017 replacing Lord Duncan. He holds this role jointly with his Parliamentary Under Secretary of State role at the Ministry of Housing, Communities and Local Government, which he started on 8 January 2018. Previously he held this role at the Department for Communities and Local Government, from 17 July 2016 to January 2018.

††† Following the UK General Election in June 2017, Lord Duncan was appointed joint Parliamentary Under Secretary of State at the Wales. He held this role jointly with the Scotland Offices. On the 27<sup>th</sup> October 2017 Lord Duncan was replaced by Lord Bourne as Parliamentary Under Secretary of State at the Office of the Secretary of State for Wales.

## ***Committees Reporting to the Departmental Board***

***The Audit and Risk Assurance Committee (ARAC):*** – The ARAC is chaired by the lead NEBM, and comprises one other NEBM and another independent member. The independent member has been in post for a year. The Committee operates in accordance with the Treasury’s Audit Committee Handbook and meets quarterly. The Committee undertook a full evaluation of its own effectiveness in March 2018 seeking views from both internal auditors and the National Audit Office. The Committee concluded it was operating effectively.

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

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

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

### **Audit and Risk Assurance Committee**

<b>Members</b>	<b>No. of Meetings Attended</b>
<b>Isobel Garner</b> – Lead NEBM, Chair	4 of 4
<b>Tom Jones</b> – NEBM	4 of 4
<b>Sam Hartley</b> <sup>1</sup> – Independent Member	3 of 4

**Note 1:** Sam Hartley is the Secretary to the Boundary Commission for England. He was appointed to the Committee in January 2017.

### **Other Committees**

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

- advise the Board on ensuring that the Office provides a healthy and safe work environment for its staff, Ministers and visitors;
- 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 2017-18. 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 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 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 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 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 at meetings of the Departmental Board and 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 Office obtains its legal services from the Government Legal Department (GLD). The Wales Office Legal Advisers (WOLA) team is employed by GLD and was co-located with the Department's staff in Gwydyr House and Caspian Point. The WOLA Deputy Director (DD Legal) role was established in GLD on 24 October 2016. The DD Legal is a member of the Office's Senior Leadership Team but is not a member of the Departmental Board. The DD Legal attends Board meetings in an advisory capacity only.

## **Internal Audit**

Internal Audit reviews during the year covered risk management, Wales Bill Lessons Learned, Line Managers Human Resources (HR) Transactions and Payroll.

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 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 Ministers rather than to deliver programmes or services directly to the public). Areas where the Department does not currently fully comply with the guidance are limited to:

- Numbers of NEBMs. After due consideration by the Director, Departmental Board and the Audit and Risk Assurance Committee, and following discussions with Internal Audit and National Audit Office, the Department decided not to increase the number of its NEBMs. It is felt the current membership is proportionate to the size of the Department (around 45 staff). The two NEBMs in post during 2017-18 brought extremely valuable skills and experience which are particularly relevant to the Office. The lead NEBM has a portfolio career on improving public services and currently chairs the Wales Audit Office Board. Prior to her non- executive career, she was Chief Executive of a County Borough Council in Wales. The second NEBM is a farmer from Wales and currently serves as one of the UK members on the European Economic and Social Committee, and is also Vice President of the Wales Council for Voluntary Action.
- To ensure that the Audit and Risk Assurance Committee comprises at least three members, an official from the Boundary Commission for England serves as an independent member.

- Membership of the Departmental Board does not comprise an individual who is a qualified financial professional. Due to its size the Office has one qualified financial professional, who attends all Board meetings in an advisory capacity.

## **Risk identification and management**

The 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 Departmental objectives, to evaluate the likelihood of those risks being realised and their potential impact, and to manage them efficiently, effectively and economically.

The robustness of this system continues to be illustrated by the Department's management of its key strategic risks. In 2017-18, these have included the risk of the failure to support work on the United Kingdom's (UK's) exit from the European Union (EU) and the engagement between the UK Government and Welsh Government on exit. Whilst this is a wider UK Government risk, we have made sure that Welsh interests are represented in EU exit matters. The Office has been fully engaged in work on exit led by the Department for Exiting the European Union (DExEU) and the Cabinet Office (CO) and senior officials attend all Whitehall meetings relating to EU Exit. Our Ministers have been engaging directly with stakeholders in Wales on Exit and the Secretary of State attends bilateral meetings between UK Ministers and the First Minister reviewing progress. The Office has facilitated bilaterals between the UK Government and Welsh Government (WG) relating to key policy issues on exit, and have worked closely with colleagues in the CO, DExEU and other Government Departments engaging with the Welsh Government and the Assembly on the EU (Withdrawal) Bill contributing to amendments as required.

The main operational risk identified was that the 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. High levels of staff turnover have now stabilised, with the Department reviewing its recruitment procedures to attract a wider field of candidates.

## **Capacity to handle risk**

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

## Risk and control framework

The Office had in place a Risk Management Policy Framework and Strategy, approved by the Departmental 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 training.

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 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 Departmental Board;
- controls were in place to ensure that the assets of the 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 Director's Report. Please see page 22.

## **Information Risk and Assurance**

### ***Information Assets***

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

### ***Risks and their Management***

The 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 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 2017-18***

There were no data losses during 2017-18.

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

Based on its work for the year ended 31 March 2018, the Audit and Risk Assurance Committee can provide a reasonable level of assurance on the adequacy of the internal and external audit arrangements for the 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 Office is adequate to achieve the Department's objectives. This is given on the basis that, where exposure to risk has been identified, either action has been taken to address the risk or the nature of the risk is fully understood and accepted.

# Remuneration and Staff Report

## Remuneration Report

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

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

### Remuneration Policy

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

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

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

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

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

Further information about the work of the Review Body can be found at [www.ome.uk.com](http://www.ome.uk.com)

## **Board members and senior civil servant's remuneration**

The 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](http://www.civilservicecommission.org.uk)

## **Ministers' salaries and pension entitlements**

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

In respect of Ministers in the House of Commons, departments bear only the cost of the additional Ministerial remuneration; the salary for their services as an MP (£76,011 from 1 April 2017) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in the figures below.

## **Benefits in kind**

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. No Minister in the Office received benefits in kind in 2017-18 or 2016-17.

## Remuneration (salary, benefits in kind and pensions)

Single total figure of remuneration										
	Ministers		Salary (£)		Benefits in Kind (to nearest £100)		Pension benefits to nearest £1000 <sup>1</sup>		Total (to nearest £1000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17		
The Rt Hon Alun Cairns MP, Secretary of State	67,505	67,505	nil	nil	19,000	17,000	87,000	85,000		
Stuart Andrew, Parliamentary Under Secretary of State (from 9th January 2018) *	nil	n/a	nil	nil	nil	n/a	nil	n/a		
Guto Bebb, Parliamentary Under Secretary of State (to 9th January 2018) *	nil	nil	nil	nil	nil	nil	nil	nil		
Lord Bourne of Aberystwyth, Parliamentary Under Secretary of State (from 27th October 2017)**	nil	nil	nil	nil	nil	nil	nil	nil		
Lord Duncan of Springbank, Parliamentary Under Secretary of State (June 2017 to 27th October 2017)***	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		

### Notes to the table:

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

\* On the 9<sup>th</sup> January 2018 following a Cabinet reshuffle Stuart Andrew MP was appointed Parliamentary Under-Secretary of State for Wales replacing Guto Bebb MP.

\*\* Lord Bourne was appointed joint Parliamentary Under Secretary of State at the Department on 27 October 2017 replacing Lord Duncan. He holds this role jointly with his Parliamentary Under Secretary of State role at the Ministry of Housing, Communities and Local Government, which he started on 8 January 2018. Previously he held this role at the Department for Communities and Local Government, from 17 July 2016 to January 2018.

\*\*\* Following the UK General Election in June 2017, Lord Duncan was appointed joint Parliamentary Under Secretary of State at the Wales. He held this role jointly with the Scotland Office. On the 27<sup>th</sup> October 2017 Lord Duncan was replaced by Lord Bourne as Parliamentary Under Secretary of State at the Office of the Secretary of State for Wales.

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 2018 £000	Real increase in pension at age 65 £000	CETV at 31 March 2018 £000	CETV at 31 March 2017 £000	Real increase/decrease in CETV £000
The Rt Hon Alun Cairns MP, Secretary of State	3347	0-2.5	37	22	7
Stuart Andrew, Parliamentary Under Secretary of State (from 9th January 2018)*	nil	nil	nil	n/a	nil
Guto Bebb, Parliamentary Under Secretary of State (to 9th January 2018)*	nil	nil	nil	nil	nil
Lord Bourne of Aberystwyth, Parliamentary Under Secretary of State (from 27th October 2017)**	nil	nil	nil	nil	nil
Lord Duncan of Springbank Parliamentary Under Secretary of State (from 7th June 2017 to 27th October 2017)***	n/a	n/a	n/a	n/a	n/a

Notes to the table:

\* On the 9<sup>th</sup> January 2018 following a Cabinet reshuffle Stuart Andrew MP was appointed Parliamentary Under-Secretary of State for Wales replacing Guto Bebb MP.

\*\* Lord Bourne was appointed joint Parliamentary Under Secretary of State at the Department on 27 October 2017 replacing Lord Duncan. He holds this role jointly with his Parliamentary Under Secretary of State role at the Ministry of Housing, Communities and Local Government, which he started on 8 January 2018. Previously he held this role at the Department for Communities and Local Government, from 17 July 2016 to January 2018.

\*\*\* Following the UK General Election in June 2017, Lord Duncan was appointed joint Parliamentary Under Secretary of State at the Wales. He held this role jointly with the Scotland Office. On the 27<sup>th</sup> October 2017 Lord Duncan was replaced by Lord Bourne as Parliamentary Under Secretary of State at the Office of the Secretary of State for Wales.

Where n/a: reflects there is no previous information published.

## Ministerial Pensions

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

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

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

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

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

### **The Cash Equivalent Transfer Value (CETV)**

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **The real increase in the value of the CETV**

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

### **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 Office and thus recorded in these accounts.

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

performance in 2016-17 and the comparative bonuses reported for 2016-17 relate to performance in 2015-16.

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

The salaries, bonuses taxable benefits in kind and pension entitlements for 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 to nearest £000) <sup>2</sup>		Total (£'000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Glynne Jones, Director	85-90	85-90	10-15	nil	nil	nil	22,000	35,000	120-125	120-125
Geth Williams Deputy Director, Constitution and Corporate Services	70-75	65-70	5-10	nil	nil	nil	18,000	14,000	95-100	80-85
Allan Ross, Deputy Director, Press and Communications (to 9th March 2018) †	70-75	75-80	nil	nil	nil	nil	22,000	27,000	95-100	100-105
Robin Healey, Deputy Director, Policy ††	65-70	65-70	nil	nil	nil	nil	22,000	47,000	85-90	115-120
Michael Dynan-Oakley, Deputy Director, Private Office from 20th February 2017 †††	70-75	5-10	nil	nil	nil	nil	54,000	n/a	120-125	n/a
Kate Davies, Deputy Director, Private Office to 31 August 2016 ††††	n/a	30-35	n/a	nil	n/a	nil	n/a	14,000	n/a	45-50

Notes to the table:

2. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.
- † Allan Ross left the Department on the 9<sup>th</sup> March 2018. His full time equivalent salary in 2017-18 was in the range of £75k to £80k.
- †† Robin Healey is on loan from the Rural Payments Agency (an executive agency of the Department of the Environment and Rural Affairs).
- ††† Michael Dynan-Oakley is on loan from the Department of Work and Pensions. He was appointed Deputy Director Private Office on 20<sup>th</sup> February 2017. His salary costs from the 20<sup>th</sup> February 2017 to 31 March 2017 were still being paid by the Department of Work and Pensions and therefore His full time equivalent salary for 2016-17 was in the range of £75k to £80k.
- †††† Kate Davies was appointed Deputy Director Private Office on 2<sup>nd</sup> July 2015, and left the Department on 31<sup>st</sup> August 2016. Her full time equivalent salary in 2016-17 was in the range of £75k to £80k.



## Non – Executive Directors

Remuneration	Salary exc bonuses (including allowances (£000))		Benefits in kind (to nearest £100)		Total (£000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Isobel Garner, Audit Committee Chair	10-15	10-15	nil	nil	10-15	10-15
Tom Jones, Non-Executive Director	5-10	5-10	nil	nil	5-10	5-10

## Pension Benefits

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2018	Real increase in pension and related lump sum at pension age at 31 March 2018	CETV at 31 March 2018	CETV at 31 March 2017	Real increase/decrease in CETV
	£000	£000	£000	£000	£000
Glynne Jones Director	30-35 plus a lump sum of 85-90	0-2.5 plus a lump sum of 0	608	563	7
Geth Williams, Deputy Director, Constitution and Corporate Services	20-25 plus a lump sum of 60-65	0-2.5 plus a lump sum of 0	444	408	6
Allan Ross, Deputy Director, Press and Communications (to 9th March 2018) †	15-20 plus a lump sum of 35-40	0-2.5 plus a lump sum of 0	223	211	6
Robin Healey, Deputy Director, Policy ††	15-20 plus a lump sum of 35-40	0-2.5 plus a lump sum of 0	224	202	6
Michael Dynan-Oakley, Deputy Director, Private Office from 20th February 2017 †††	30-35 plus a lump sum of 75-80	2.5-5 plus a lump sum of 2.5-5	550	482	38

Notes to the table:

- † Allan Ross left the Department on the 9th March 2018. His full time equivalent salary in 2017-18 was in the range of £75k to £80k.
- †† Robin Healey is on loan from the Rural Payments Agency (an executive agency of the Department of the Environment and Rural Affairs).
- ††† Michael Dynan-Oakley is on loan from the Department of Work and Pensions. He was appointed Deputy Director Private Office on 20th February 2017. His salary costs from the 20th February 2017 to 31 March 2017 were still being paid by the Department of Work and Pensions and therefore His full time equivalent salary for 2016-17 was in the range of £75k to £80k.

## Civil Service Pensions

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

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable **under classic, premium, classic plus, nuvos and alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in **PCSPS or alpha** – as appropriate. Where the official has benefits in both the **PCSPS and alpha** the figure quoted is the combined value of their benefits in the two schemes.) Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6% and 8.05% for members of **classic, premium, classic plus, nuvos and alpha**. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic, premium and classic plus**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

### **The Cash Equivalent Transfer Value (CETV)**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **The real increase in the value of the CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another

pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### **Pay Multiples**

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the Office in the financial year 2017-18 was £85-£90k (2016-17, £85-£90k). This was 2.8 times (2016-17, 2.8 times) the median remuneration of the workforce, which was £31,988 (2016-17, £31,610).

In 2017-18, no employees (2016-17, nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £8,300 to £88,000 (2015-16, £8,300 to £87,000).

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

### **Compensation for loss of office**

No staff left the Office under Voluntary Exit terms in 2017-18 or 2016-17.

#### ***Ministers***

No Ministers left the Office under severance terms in 2017-18 or 2016-17.

# Staff Report

## Staff Costs

The Office's expenditure on staff during 2017-18 is shown in the table below:

					31 March 2018	31 March 2017
	Permanently Employed Staff	Others	Ministers	Special Advisors	Total	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	2,084	111	68	133	2,396	2,361
Social security costs	184	-	9	16	209	171
Other pension costs	336	-	-	21	357	317
<b>Total Costs</b>	<b>2,604</b>	<b>111</b>	<b>77</b>	<b>170</b>	<b>2,962</b>	<b>2,849</b>

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” are an unfunded multi-employer defined benefit scheme but the Office is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation of the scheme was carried out on 31 March 2013 and details can be found at <http://www.civilservicepensionscheme.org.uk/media/94676/pcsp-2012-valuation-final-report-final-22072014.pdf>

For 2017-18 employer's pension contributions of £357k (2016-17: £317k) were payable to the PCSPS at one of four rates in the range 20% to 24.5% (2016-17: 20% to 24.5%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflected past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' pension contributions of £0 (2016-17: £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% (2016-17: 8.0% to 14.75%) of pensionable pay. Employers also match employee contributions up to 3.0% of pensionable pay.

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

Contributions due to the partnership pension providers at the reporting period were Nil. (2016-17: £Nil).

There were no retirements during 2017-18 (2016-17: Nil) on the grounds of ill health.

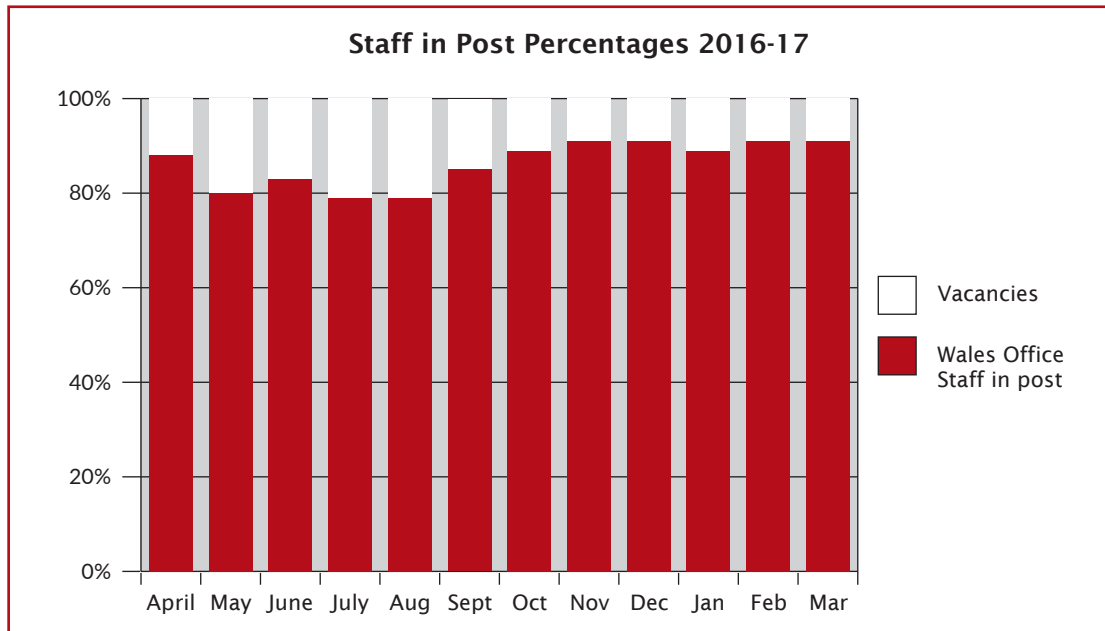
## Staff Numbers

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

	<b>31 March 2018</b>	<b>31 March 2017</b>
Permanent staff	45.0	43.0
Others	4.0	4.0
Ministers	2.0	2.0
Special Advisors	2.0	2.0
<b>Total</b>	<b>53.0</b>	<b>51.0</b>

The Office is not an employer and we therefore continue to receive employment services from the Ministry of Justice (MoJ). Our current People Plan focuses primarily on Leadership and Management of Change, Resourcing, Inclusion and Fair Treatment and Learning and Development.

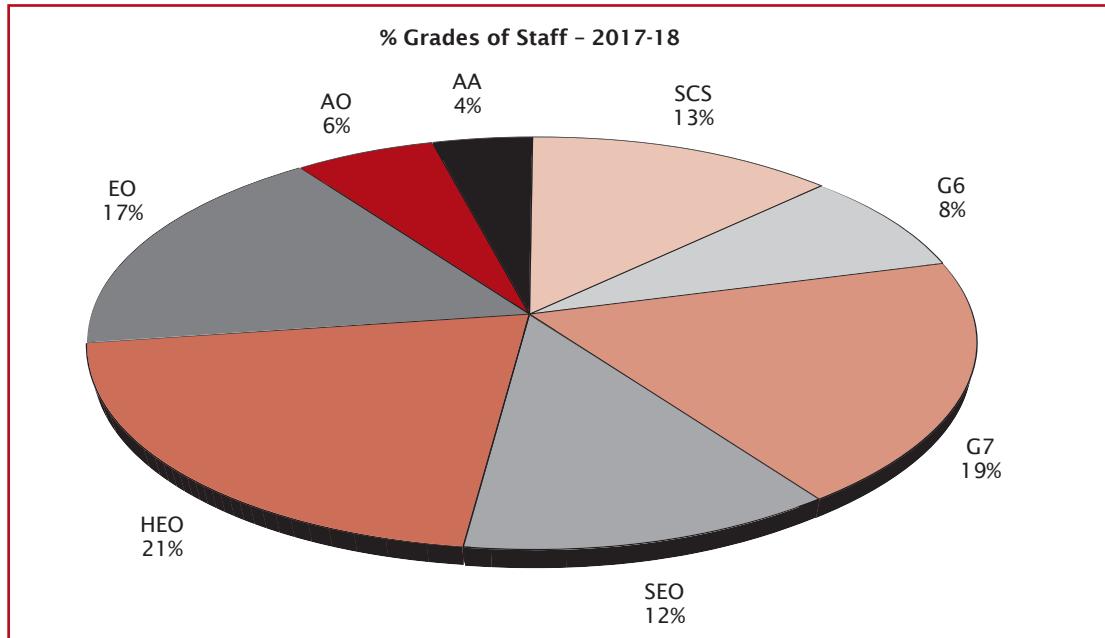
The Office had a staff complement of 48 at the beginning of the financial year which increased to 53 staff in light of additional responsibilities arising from the EU Exit decision. However, as the chart below shows, the full complement was not achieved in any month.



The total number of staff in post as at 31 March 2018 was 48 (46.65 fte), which included two (temporary) agency personnel, one agency interim manager; six

staff on loan from other Government Departments; and four lawyer secondees. 38% of staff were based in our Cardiff office and 62% in Gwydyr House, London.

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



There were no Civil Service or other compensation schemes in 2017-18 or 2016-17.

### ***Recruitment***

The Office attempted to fill 29 posts during 2017-18. Two were for maternity leave cover, five were newly created and 22 had become vacant. These were undertaken through a variety routes as follows: 13 posts were filled through fixed term appointments by candidates external to the Civil Service (including two apprentices) and three further appointments have been made but staff are still undergoing security clearance; six were filled on loan following internal adverts including one managed move; and four resulted in internal promotions following a fair and open competition across the Civil Service. Three of these campaigns (for SEO/HEO Policy staff) remain unfilled at the financial year end.

### ***Departures, Resignations and Retirements***

Over the past year, nineteen staff have left the Office: one agency staff member came to the end of their assignment; one person took a career break; three staff left the Civil Service; ten staff transferred to other government departments; three secondees returned to their home departments and one person on secondment retired.

There were no voluntary exit schemes offered in-year.

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

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

### ***Senior Civil Service***

At the 31 March 2018 there were 6 substantive senior civil servant posts in the Office of the Secretary of State for Wales.

### ***Equality Data***

<b>Staff in Senior Civil Service positions</b>	<b>March 2018</b>	<b>March 2017</b>
Proportion of women	1 of 6	1 of 6
Proportion of women at Pay band 2 & above	0 of 1	0 of 1
Proportion of Black and Minority Ethnic (BAME) disclosed	0 of 6	0 of 6
Proportion of Disabled staff disclosed	0 of 6	0 of 6

<b>Staff Below Senior Civil Service Level</b>	<b>March 2018</b>	<b>March 2017*</b>
Women	50%	44%*
BAME	10%**	9.1%*
Disabled	15%	9.5%*

\* Due to the implementation of a new e-HR system data is only available as at December 2016

\*\* Declaration rates for ethnicity were below 60%

### ***Diversity & Inclusion***

The Ministry of Justice, as the employer undertakes recruitment on our behalf and the Office has participated in-year in the use of anonymised applications to reduce unconscious bias at the short-listing stage.

As a small department, the Office has also linked up with the UK Governance Group to propose plans that will enable us to contribute to the Civil Service wide strategy and ambition to become the UK's most inclusive employer. Our key contribution has been to encourage links that will enable greater social mobility by increasing contacts between civil servants and schools; and trying to promote increased declaration rates amongst staff.



## ***Performance Management***

The 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 Office participates in the annual civil service-wide survey. In Autumn 2017 our overall staff engagement index was 66%, the office's highest ever score for the fourth year in a row and putting us amongst the High Performing Units (HPUs), i.e. the upper quartile for the UK Civil Service. The survey questions are brigaded under nine themes. The top three themes with the highest positive scores were: Organisational Objectives and Purpose (95%); My Team (78%) and Inclusion and Fair Treatment (78%) which were the same top scoring themes from 2016.

Our five top positive scores related to the following questions:

I have a clear understanding of the Office's objectives.	95% positive
I understand how my work contributes to the Office's objectives	95% positive
I am interested in my work	90% positive
I have the skills I need to do my job effectively	90% positive
I am treated with respect by the people I work with	88% positive

Areas where we achieved scores above those of the HPUs related to the following questions:

<b>Question</b>	<b>Difference from HPU</b>
Senior Managers in the Office are sufficiently visible	+12
Overall, I have confidence in the decisions made by the Office's Senior Managers.	+6
The office motivates me to achieve its objectives	+6
I believe that senior managers in the Office will take action on the results from this survey	+6
I am proud when I tell others I am part of the office	+5

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

### ***Recruitment and HR systems***

Although we are not an employer in our own right, we have been subject to two strategic developments with the implementation of an online e-recruitment system and a move to a more commonly shared Civil Service HR online platform. This has resulted in considerable learning for all staff but particularly line managers who are now responsible for completing many HR transactions directly online.

On the recruitment side this has led to improved efficiency in terms of the shared services provided and further improvements are in scope to now reduce the time taken for pre-employment checking so that the reduced time to hire rates evidenced can be delivered more consistently for internal and external candidates alike.

### ***Learning and Development (L&D)***

Much of the focus of L&D in 2017-18 has been provided through collaboration with the UK Governance Group in Cabinet Office and the development of a virtual “Constitution School”; coordinated off-site events and newly introduced Talent Programmes. Our contribution has included the development of a pilot Mentorship Scheme UKGG-wide.

Tailored opportunities through the Civil Service Learning website also continue to be promoted so that staff can achieve their 5 days a year professional development commitment and events such as Civil Service Live and “A Brilliant Civil Service” local and national events.

The Office remains committed to Apprenticeships and in 2017-18 saw four staff complete their qualifications and three more new recruits join our scheme.

### ***Employment of disabled persons***

The Office adopts the Ministry of Justice (Moj) Support and Wellbeing strategy which encourages a culture in which we remove (or avoid creating) barriers for disabled people and staff; and promote a better understanding of disability issues.

All our posts are advertised through Moj which participates in the Disability Confident Employer Scheme and offers the Guaranteed Interview Scheme (GIS) for candidates who consider themselves disabled.

### ***Other Health Wellbeing Issues***

The average number of working days lost (AWDL) due to staff sickness for the calendar year 2017 was 1.6. This remains well below the Civil Service average in days.

The Office participated in a second full week focussed on raising awareness of wellbeing issues for all. Two staff also undertook Mental Health First Aider training to be able to provide support to staff in both our offices.

### ***Spend on consultancy and temporary staff***

There was no spend on consultancy in 2017-18.

The total spend on temporary staff in 2017-18 was £110,657. The Department used temporary staff to cover for staff on maternity leave and for vacant posts.

### ***Off Payroll Appointments***

In 2017-18 the Office had no off-payroll appointments for more than £220 per day and for duration of six months or longer.

### ***Welsh Language***

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

We recognise the importance of the Welsh language in our day to day work, and provide training and guidance for staff accordingly. A skills audit of the Department's staff is conducted annually and the results of this provide the foundation for our workforce and succession planning. As at 31 March 2018, 12% of staff in post were fully bilingual.

## 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 2017-18

	SoPS Note	2017-18 Estimate			2017-18 Outturn			2017-18 Voted	2016-17 Outturn
		Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000	Outturn compared with Estimate: saving/(excess) £000	Total £000
<b>Departmental Expenditure Limit</b>									
- Resource	1.1	5,110	-	5,110	4,805	-	4,805	305	4,513
- Capital	1.2	120	-	120	73	-	73	47	0
<b>Annually Managed Expenditure</b>									
- Resource	1.1	6	-	6	6	-	6	-	(24)
- Capital	1.2	-	-	-	-	-	-	-	-
<b>Total Budget</b>		<b>5,236</b>	<b>-</b>	<b>5,236</b>	<b>4,884</b>	<b>-</b>	<b>4,884</b>	<b>352</b>	<b>4,489</b>
<b>Non-Budget</b>									
- Resource	1.1	14,788,892	-	14,788,892	14,130,162	-	14,130,162	658,730	13,525,626
<b>Total</b>		<b>14,794,128</b>	<b>-</b>	<b>14,794,128</b>	<b>14,135,046</b>	<b>-</b>	<b>14,135,046</b>	<b>659,082</b>	<b>13,530,115</b>
Total Resource		14,794,008	-	14,794,008	14,134,973	-	14,134,973	659,035	13,530,115
Total Capital		120	-	120	73	-	73	47	-
<b>Total</b>		<b>14,794,128</b>	<b>-</b>	<b>14,794,128</b>	<b>14,135,046</b>	<b>-</b>	<b>14,135,046</b>	<b>659,082</b>	<b>13,530,115</b>

#### Net Cash Requirement 2017-18

Note	2017-18		2016-17	
	Estimate £000	Outturn £000	Estimate £000	Outturn £000
Net cash requirement SOPS3	14,793,952	14,134,808	659,144	13,530,144

#### Administration costs 2017-18

2017-18 Estimate £000	2017-18 Outturn £000	2016-17 Outturn £000
4,910	4,627	4,350

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

Explanation of variances between Estimate and Outturn are given in SOPs Note 2.(Analysis of net outturn by section) and in the Financial Review Commentary on page 20.

## SOPS1 Net outturn

### SOPS1.1 Analysis of net resource outturn by section

	Administration		Programme		2017-18	2017-18	2016-17
	Income	Net Total	Gross	Income	Net Total	Net Total	Outturn
	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)							
Voted							
A Wales Office	(62)	4,627	178	-	4,805	5,110	4,513
Total Voted							
expenditure in DEL	(62)	4,627	178	-	4,805	5,110	4,513
Annually Managed Expenditure (AME)							
Voted expenditure							
B Provisions	-	6	-	-	6	6	(24)
Total; Voted							
expenditure in AME	-	6	-	-	6	6	(24)
Non-Budget Spending							
C Grant payable to the Welsh Consolidated Fund	-	-	14,130,162	-	14,130,162	14,788,892	13,525,626
Total for Estimate:	-	-	14,130,162	-	14,130,162	14,788,892	13,525,626
Total voted in Estimate	(62)	4,633	14,130,340	-	14,134,973	14,794,008	13,530,115

## SOPS1.2 Analysis of net capital outturn by section

			2017-18 Outturn	2017-18 Estimate		2016-17 Outturn
	Gross	Income	Net	Net Total	Net Total Outturn compared with Estimate	Net
	£000	£000	£000	£000	£000	£000
<b>Spending in Departmental Expenditure Limits (DEL)</b>						
<b>Voted expenditure</b>						
A Wales Office	73	-	73	120	47	-
<b>Total Voted Expenditure in DEL</b>	73	-	73	120	47	-
<b>Total for Estimate:</b>	73	-	73	120	47	-

## SOPS2 Reconciliation of outturn to net operating expenditure

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

		2017-18	2016-17
	SoPS Note	<u>Outturn</u> £000	<u>Net</u> £000
<b>Total resource outturn in Statement of Parliamentary Supply</b>			
Budget	1.1	4,811	4,489
Non-Budget	1.1	14,130,162	13,525,626
		<u>14,134,973</u>	<u>13,530,115</u>
<b>Net Operating Costs in Statement of Comprehensive Net Expenditure</b>			
		<u>14,134,973</u>	<u>13,530,115</u>

## SOPS3 Reconciliation of Net Resource Outturn to Net Cash Requirement

	SoPS Note	Estimate	Outturn	Net total outturn compared with Estimate: saving/(excess)
		£000	£000	£000
<b>Resource Outturn</b>	1.1	14,794,008	14,134,973	659,035
<b>Capital Outturn</b>	1.2	120	73	47
<b>Accruals to cash adjustment</b>				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(140)	(126)	(14)
New provisions and adjustments to previous provisions		(6)	(6)	-
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		-	(73)	73
Increase/(decrease) in stock		-	-	-
Increase/(decrease) in receivables		-	8	(8)
(Increase)/decrease in payables		-	(12)	12
Use of provisions		-	-	-
<b>Removal of non-voted budget items:</b>				
Consolidated Fund Standing Services				
Other adjustments				
<b>Net cash requirement</b>		<b>14,793,952</b>	<b>14,134,808</b>	<b>659,144</b>



## SOPS4. Income payable to the Consolidated Fund

### SOPS4.1 Analysis Income payable to the Consolidated Fund

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

	Outturn 2017-18		Outturn 2016-17	
	Income	Receipts	Income	Receipts
	£000	£000	£000	£000
<b>Operating income outside the ambit of the Estimate</b>				
Forfeited Assembly Election Deposits	-	-	34	34
<b>Total Income payable to the Consolidated Fund</b>	-	-	34	34

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

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

	2017-18	2016-17
	£000	£000
Student Loans	29,706	26,797
Cleddau Bridge loan	100	200
Tai Cymru	8	8
Bank Interest	19	22
Other	203	-
<b>Amount payable to the Consolidated Fund</b>	<b>30,036</b>	<b>27,027</b>
Balance held at the start of the year	-	-
Payments into the Consolidated Fund	30,036	27,027
Balances held on trust at the end of the year	-	-

The total income paid into the Consolidated Fund as at 31st March 2018 and 21 March 2017 were:

	2017-18	2016-17
	£000	£000
Income from 2016-17		27,061
Income from 2017-18	30,036	
	<b>30,036</b>	<b>27,061</b>

### **3. Parliamentary Accountability Disclosures**

#### **3.1 Losses and Special Payments**

The Wales Office has made no losses and special payments in 2017-18 (2016-17 Nil).

#### **3.2 Remote Contingent Liabilities**

The Wales Office does not have any remote contingent liabilities.

**Glynne Jones**  
**Accounting Officer**

**25th June 2018**

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

## Opinion on financial statements

I certify that I have audited the financial statements of the Wales Office for the year ended 31 March 2018 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Wales Office's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

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

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2018 and of the Department's net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

## Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2018 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard

2016. I am independent of the Wales Office in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Responsibilities of the Accounting Officer for the financial statements**

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Wales Office's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Wales Office's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

## **Other Information**

The Accounting Officer is responsible for the other information. The other information comprises information included in the Annual Report and the information in Appendix 1: Public Expenditure Core Financial Tables, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Opinion on other matters

In my opinion:

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

## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

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

## Report

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

**27 June 2018**

**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 2018

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.

		2017-18	2016-17
		Core	Core
		Department	Department
	Note	£000	£000
Income	4	(62)	(51)
<b>Total operating income</b>		(62)	(51)
Staff Costs	2	2,962	2,849
Accommodation, maintenance and utilities	3	455	400
Depreciation	3	126	109
Other operating expenditure	3	1,278	1,128
Grant to the Welsh Consolidated Fund	3	14,130,162	13,525,626
Lord Lieutenants' expenses	3	52	54
NLF interest payable		1,641	1,655
NLF interest receivable		(1,641)	(1,655)
<b>Total operating expenditure</b>		<b>14,135,035</b>	<b>13,530,166</b>
<b>Net operating expenditure</b>		<b>14,134,973</b>	<b>13,530,115</b>
<b>Other Comprehensive Net Expenditure</b>			
<b>Items that will not be reclassified to net operating costs:</b>			
Net (gain) / loss on revaluation of Property, Plant and Equipment		(98)	(783)
<b>Items that may be reclassified subsequently to net operating costs:</b>			
Net (gain) / loss on revaluation of Property, Plant and Equipment		-	-
<b>Comprehensive Net Expenditure for the year</b>		<b>14,134,875</b>	<b>13,529,332</b>

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

## Statement of Financial Position As at 31 March 2018

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 2018 £000	31 March 2017 £000
<b>Non-current assets:</b>			
Property, plant and equipment	5	5,535	5,488
Financial assets	8	11,092	11,212
Receivables falling due after more than one year	9	4	4
<b>Total non-current assets</b>		16,631	16,704
<b>Current assets:</b>			
Trade and other receivables	9	453	431
Cash and cash equivalents	7	32	78
<b>Total current assets</b>		485	509
<b>Total Assets</b>		17,116	17,213
<b>Current liabilities</b>			
Trade and other payables	10	(1,113)	(1,058)
<b>Total current liabilities</b>		(1,113)	(1,058)
<b>Assets less net current liabilities</b>		16,003	16,155
<b>Non-current liabilities</b>			
Provisions	11	(46)	(40)
Financial liabilities	10	(11,092)	(11,212)
<b>Total non-current liabilities</b>		(11,138)	(11,252)
<b>Assets less liabilities</b>		4,865	4,903
<b>Taxpayers' equity:</b>			
General fund		1,093	1,204
Revaluation reserve		3,772	3,699
<b>Total equity</b>		4,865	4,903

Glynne Jones  
Accounting Officer

25th June 2018



## Statement of Cash Flows For the year ended 31 March 2018

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	2017-18 £000	2016-17 £000
<b>Cash flows from operating activities</b>			
Net operating expenditure	SOCNE	(14,134,973)	(13,530,115)
Adjustments for non-cash transactions	3	161	127
(Increase)/Decrease in trade and other receivables	9	(22)	(64)
Less: Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure <sup>1</sup>	9	14	25
Increase/(Decrease) in trade and other payables	10	(65)	(320)
Less: Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure <sup>1</sup>	10	77	216
Use of provisions	11	-	(13)
<b>Net cash outflow from operating activities</b>		<b>(14,134,808)</b>	<b>(13,530,144)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	-	-
(Loan repayments) from other bodies	8	104	91
<b>Net cash inflow from investing activities</b>		<b>104</b>	<b>91</b>
<b>Cash flows from financing activities</b>			
From the Consolidated Fund (Supply) – Current Year <sup>2</sup>		14,134,762	13,530,021
Repayment of loans from the NLF <sup>3</sup>	8	(104)	(91)
<b>Net financing</b>		<b>14,134,658</b>	<b>13,529,930</b>
<b>Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund</b>			
	7	<b>(46)</b>	<b>(123)</b>
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		30,036	27,061
Payments of amounts due to the Consolidated Fund <sup>4</sup>		(30,036)	(27,061)
<b>Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund</b>			
	7	<b>(46)</b>	<b>(123)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	7	<b>78</b>	<b>201</b>
<b>Cash and cash equivalents at the end of the period</b>	7	<b>32</b>	<b>78</b>

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 2018

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
<b>Balance at 31 March 2016</b>		1,138	2,924	4,062
Changes in accounting policy		-	-	-
<b>Balance at 1 April 2016</b>		<b>1,138</b>	<b>2,924</b>	<b>4,062</b>
<b>Net Parliamentary Funding</b>				
- Drawn down		13,530,021	-	13,530,021
- Deemed		201	-	201
Unspent Supply drawn down repayable to the Consolidated Fund	10	(78)	-	(78)
CFERs payable to the Consolidated Fund		-	-	-
Comprehensive Net Expenditure for the year	SOCNE	(13,530,115)	-	(13,530,115)
<b>Non-cash charges</b>				
Auditor's remuneration	3	29	-	29
<b>Other Reserve Movements</b>				
- Property, Plant & Equipment		-	783	(783)
- Other		-	-	-
<b>Movements in Reserves</b>				
- Transfers between reserves		8	(8)	-
<b>Balance at 31 March 2017</b>		<b>1,204</b>	<b>3,699</b>	<b>4,903</b>
<b>Balance at 1 April 2017</b>		1,204	3,699	4,903
<b>Net Parliamentary Funding</b>				
- Drawn down	SCF	14,134,762	-	14,134,762
- Deemed	10	78	-	78
Unspent Supply drawn down repayable to the Consolidated Fund	10	(32)	-	(32)
CFERs payable to the Consolidated Fund		-	-	-
Comprehensive Net Expenditure for the year	SOCNE	(14,134,973)	-	(14,134,973)
<b>Non-cash charges</b>				
- Auditor's remuneration	3	29	-	29
<b>Other Reserve Movements</b>				
- Property, Plant and Equipment		-	98	98
- Other		-	-	-
<b>Movements in Reserves</b>				
- Transfers between reserves		25	(25)	-
<b>Balance at 31 March 2018</b>		<b>1,093</b>	<b>3,772</b>	<b>4,865</b>

# Notes to the Accounts for the year ended 31 March 2018

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## 1a) Statement of accounting policies

### 1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the Wales Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Wales Office are described below. They have been applied consistently in dealing with items considered material in relation to these accounts.

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

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

### 1.2 Accounting convention

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

### 1.3 Operating segments

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

### 1.4. Property, plant and equipment

#### *Valuation basis*

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

### ***Valuation method***

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

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

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

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

### ***Revaluation***

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

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

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

### ***Capitalisation threshold – individual assets***

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

### ***Capitalisation threshold – grouped assets***

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

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

### ***Depreciation***

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

Estimated useful asset lives are within the following ranges:

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

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

### ***Disposal of non-current assets***

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

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

### **1.5 Assets under construction**

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

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

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

## **1.6 Leases**

### ***Operating leases***

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

### ***Arrangements containing a lease***

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

## **1.7 Investments**

### ***National Loans Fund (NLF)***

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

## **1.8 Employee benefits**

### ***Employee leave accruals***

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

### ***Pensions***

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

The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the department recognises the contributions payable for the year.

### ***Early departure costs***

The Wales Office is not a direct employer. All staff are either Ministry of Justice or Welsh Government staff and it is the responsibility of these Departments to pay the additional costs of benefits beyond the normal PCSPS of staff who retire early. In specific circumstances where the Wales Office has agreed to meet the costs, early departure costs are provided in full at the point that the agreement is binding. The estimated risk-adjusted cash flows are discounted using HM Treasury's discount rate of 0.10% (2016-17:0.24%) in real terms if material.

## **1.9 Operating income**

Operating income is income earned by the Department.

## **1.10 Consolidated Fund Extra Receipts (CFERs)**

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

## **1.11 Administration and Programme expenditure**

The Statement of Comprehensive Net Expenditure comprises administration expenditure for the running costs of the Secretary of State for Wales together

with programme expenditure for the Lord Lieutenants expenses and the grant payable to the Welsh Consolidated Fund under Section 118 of the Government of Wales Act 2006.

### **1.12 Provisions**

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

Provisions reflect the best estimate of the expenditure required to settle the obligation. Where the effect of discounting is material, provisions are measured at their present value using the real rate set by HM Treasury, currently 2.4%; by comparison 2016-17 rates were 2.7%.

### **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 11 reflect judgements about the likelihood that a future transfer of economic benefits will arise as a result of past events. Where the likelihood of a liability crystallising is deemed probable and where it is possible to quantify the effect with reasonable certainty, a provision is recognised. Where the likelihood of potential liabilities crystallising is judged to be possible, a contingent liability is disclosed.

#### ***Lease accounting***

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

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

### **1.17 Impending application of newly issued accounting standards not yet effective**

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

IFRS 9 – Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement and has an effective date of 1st January 2018. The FRoM applies the EU adopted IFRS which is consistent with the Government

Resource Accounts Act 2000. The new standard has is to be applied in central government from 2018-19.

IFRS 9 provides a more principles-based approach to the accounting for financial instruments, including their classification and measurement. The Office does not expect this standard to have an impact on future accounts.

IFRS 15 – Revenue from Contracts with Customers replaces IAS 18 Revenue Recognition and is to be applied in central government from 2018-19. The core principle of this standard is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Office does not expect this standard to have an impact on future accounts.

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

The Office expects IFRS 16 to have a material impact on future accounts as we bring our current operating lease onto the Statement of Financial Position.

## 2. Staff Costs

					31 March 2018	31 March 2017
	<b>Permanently Employed Staff &amp; Inward</b>					
	<b>Secondees</b>	<b>Others</b>	<b>Ministers</b>	<b>Special Advisors</b>	<b>Total</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Wages and salaries	2,084	111	68	133	2,396	2,361
Social security costs	184	-	9	16	209	171
Other pension costs	336	-	-	21	357	317
<b>Total Costs</b>	<b>2,604</b>	<b>111</b>	<b>77</b>	<b>170</b>	<b>2,962</b>	<b>2,849</b>

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

### 3. Other Expenditure

	<u>31 March 2018</u>	<u>31 March 2017</u>
	<u>£000</u>	<u>£000</u>
Accommodation, maintenance and utilities	455	400
Communications, office supplies and services	40	54
Rentals under operating leases: land and buildings	161	140
Rentals under operating leases: other (plant, machinery, vehicles etc)	49	47
Service concession charges: IT	-	5
IT services & telecommunications (non-service concession arrangements)	157	152
Other contracted out services	19	14
Professional services	420	325
Travel and subsistence	180	149
Training and other staff related costs	18	18
Bank fees and charges	3	3
Other administration expenditure	28	37
Events and Conferences	14	4
Allocation of overheads	154	162
<b>Non-cash items</b>		
Auditors' remuneration and expenses	29	29
Provision increase in-year	6	-
Provision write-back for in year	-	(11)
<b>Total Administration Costs</b>	<u>1,733</u>	<u>1,528</u>
 <i>Programme Costs - Wales Office</i>		
Lord Lieutenants' expenses	52	54
Grant to the Welsh Consolidated Fund	14,130,162	13,525,626
 <i>Non-cash items</i>		
Depreciation	126	109
<b>Total Programme Costs</b>	<u>14,130,340</u>	<u>13,525,789</u>
 <b>Net Operating Expenditure for the year ended 31 March 2018</b>	<u>14,132,073</u>	<u>13,527,317</u>

#### 4. Income

	<u>31 March 2018</u>	<u>31 March 2017</u>
	<u>£000</u>	<u>£000</u>
<b>Income</b>		
Rental income	62	51
<b>Total Income</b>	<u>62</u>	<u>51</u>

There is no income payable to the Consolidated Fund.

## 5. Property, Plant and Equipment

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

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	Total
	£000	£000	£000	£000	£000
<b>2016-17</b>					
<b>Cost or valuation</b>					
At 1 April 2016	2,837	1,813	203	260	5,113
Additions	-	-		-	-
Revaluations	427	273	2		702
<b>At 31 March 2017</b>	<b>3,264</b>	<b>2,086</b>	<b>205</b>	<b>260</b>	<b>5,815</b>
<b>Depreciation</b>					
At 1 April 2016	-	-	(156)	(143)	(299)
Charged in year	-	(82)	(10)	(17)	(109)
Revaluations	-	82		(1)	81
<b>At 31 March 2017</b>	<b>-</b>	<b>-</b>	<b>(166)</b>	<b>(161)</b>	<b>(327)</b>
<b>Net book value at 31 March 2017</b>	<b>3,264</b>	<b>2,086</b>	<b>39</b>	<b>99</b>	<b>5,488</b>
<b>Net book value at 1 April 2016</b>	<b>2,837</b>	<b>1,813</b>	<b>47</b>	<b>117</b>	<b>4,814</b>
<b>All assets are owned by the Wales Office</b>	<b>3,264</b>	<b>2,086</b>	<b>39</b>	<b>99</b>	<b>5,488</b>

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 2018</u>	<u>31 March 2017</u>
	<u>£000</u>	<u>£000</u>
<b>Obligations under operating leases comprise:</b>		
<b>Buildings:</b>		
Not later than one year	90	90
Later than one year but not later than five years	271	360
Later than five years		1
<b>Total</b>	<u>361</u>	<u>451</u>

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



## 7. Cash and cash equivalents

	<u>31 March 2018</u>	<u>31 March 2017</u>
	<u>£000</u>	<u>£000</u>
Balance at 1 April 2017	78	201
Net change in cash and cash equivalents	(46)	(123)
<b>Balance as at 31 March 2018</b>	<b>32</b>	<b>78</b>

All balances were held with the Government Banking Service.

## 8. Investments

	<u>Loans funded from National Loans Fund</u>
	<u>£000</u>
<b>Cost or valuation</b>	
<b>At 1 April 2016</b>	11,330
Capital payment adjustment in 2016-17	(14)
Loans repayable within 12 months transferred to receivables	(104)
<b>At 1 April 2017</b>	11,212
Loans repayable within 12 months transferred to receivables	(120)
<b>Balance at 31 March 2018</b>	<b>11,092</b>

## 9. Trade Receivables and other current assets

	<u>31 March 2018</u>	<u>31 March 2017</u>
	<u>£000</u>	<u>£000</u>
<b>Amounts falling due within one year:</b>		
Trade receivables	113	131
VAT receivables	1	6
Deposits and advances	10	6
Other receivables	74	15
Prepayments and accrued income	8	40
Current part of NLF loan – interest receivable	127	129
Current part of NLF loan – capital	120	104
<b>Total receivables</b>	<b>453</b>	<b>431</b>

	<u>31 March 2018</u>	<u>31 March 2017</u>
	<u>£000</u>	<u>£000</u>
<b>Amounts falling due after more than one year:</b>		
Deposits and advances	4	4
<b>Total receivables</b>	<b>4</b>	<b>4</b>

## 10. Trade Payables and other current liabilities

	<u>31 March 2018</u>	<u>31 March 2017</u>
	<u>£000</u>	<u>£000</u>
<b>Amounts falling due within one year:</b>		
Other taxation and social security	104	50
Trade payables	59	115
Other payables	62	87
Accruals	536	495
Capital Accruals	73	-
Current part of NLF loan – capital	120	104
Current part of NLF loan – interest payable	127	129
Amounts issued from the Consolidated Fund for supply but not spent at year end	32	78
<b>Total payables</b>	<u>1,113</u>	<u>1,058</u>
	<u>31 March 2018</u>	<u>31 March 2017</u>
	<u>£000</u>	<u>£000</u>
<b>Amounts falling due after more than one year:</b>		
NLF loans	11,092	11,212
<b>Total payables</b>	<u>11,092</u>	<u>11,212</u>

## 11. Provisions for Liabilities and Charges

	Early Retirement Costs	Leasehold Dilapidation Costs	Total
	£000	£000	£000
Balance as at 1 April 2016	24	40	64
Provisions not required written back	(11)	-	(11)
Provisions utilised in year	(13)	-	(13)
<b>Balance as at 1 April 2017</b>	<b>-</b>	<b>40</b>	<b>40</b>
Provided in year	-	6	6
<b>Balance as at 31 March 2018</b>	<b>-</b>	<b>46</b>	<b>46</b>

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

### 11.1 Analysis of expected timing of discounted flows

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

	Leasehold Dilapidation 2016-17
	£000
Not later than one year	-
Later than one year and not later than five years	-
Later than five years	40
<b>Balance at 31 March 2017</b>	<b>40</b>

## **12. 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.

## **13 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.

# Appendix 1: Public Expenditure Core Financial Tables

**TABLE 1**

<b>Spending by Wales Office &amp; Welsh Government 2013-14 to 2019-20</b>								
	2013-14 Outturn £000	2014-15 Outturn £000	2015-16 Outturn £000	2016-17 Outturn £000	2017-18 Plans £000	2017-18 Outturn (7) £000	2018-19 Plans £000	2019-20 Plans £000
<b>Wales Office Expenditure</b>								
Resource expenditure within Administration Costs	4,406	4,280	3,937	4,350	4,910	4,627	4,540	4,630
Other resource expenditure	43	43	54	163	200	178	110	110
<b>Wales Office Resource<sup>(2)</sup></b>	<b>4,449</b>	<b>4,323</b>	<b>3,991</b>	<b>4,513</b>	<b>5,110</b>	<b>4,805</b>	<b>4,650</b>	<b>4,740</b>
Wales Office Capital	564	117	45	0	120	73	30	30
<b>Wales Office Resource + Capital DEL<sup>(2)</sup></b>	<b>5,013</b>	<b>4,440</b>	<b>4,036</b>	<b>4,513</b>	<b>5,230</b>	<b>4,878</b>	<b>4,680</b>	<b>4,770</b>
<i>less depreciation &amp; impairments</i>	<i>-71</i>	<i>-131</i>	<i>-100</i>	<i>-109</i>	<i>-140</i>	<i>-126</i>	<i>-110</i>	<i>-110</i>
<b>Wales Office DEL<sup>(3)</sup></b>	<b>4,942</b>	<b>4,309</b>	<b>3,936</b>	<b>4,404</b>	<b>5,090</b>	<b>4,752</b>	<b>4,570</b>	<b>4,660</b>

## **Welsh Government Expenditure (The Welsh Block)<sup>(6)</sup>**

Welsh Government Resource (before Block Grant Adjustment)	14,466,418	14,202,351	13,328,115	13,324,553	14,414,970	13,999,205	14,195,404	14,270,032
<i>less: Block Grant Adjustment</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>-269,000</i>	<i>-277,000</i>
Resource	14,466,418	14,202,351	13,328,115	13,324,553	14,414,970	13,997,716	13,926,404	13,993,032
Capital	1,324,687	1,500,097	1,542,599	1,448,699	1,965,612	1,824,676	1,900,608	2,113,285
<b>Total Resource + Capital</b>	<b>15,791,105</b>	<b>15,702,448</b>	<b>14,870,714</b>	<b>14,773,252</b>	<b>16,380,582</b>	<b>15,822,392</b>	<b>15,827,012</b>	<b>16,106,317</b>
<i>less depreciation &amp; impairments</i>	<i>-757,100</i>	<i>-448,732</i>	<i>-513,641</i>	<i>-253,319</i>	<i>-949,538</i>	<i>-708,226</i>	<i>-664,279</i>	<i>-689,981</i>
<b>Welsh Government DEL<sup>(3)(6)</sup></b>	<b>15,034,005</b>	<b>15,253,716</b>	<b>14,357,073</b>	<b>14,519,933</b>	<b>15,431,044</b>	<b>15,114,166</b>	<b>15,162,733</b>	<b>15,416,336</b>

(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

Following the Treasury's publication of Block Grant Transparency data (<https://www.gov.uk/government/publications/block-grant-transparency-december-2017-publication>), the table that appeared in previous editions of the Wales Office's Annual Report and Accounts reconciling changes in the Welsh Block from one year to the next has been discontinued. Users of this information should instead refer to the Treasury Block Grant Transparency data.

**TABLE 2****Cash grant paid to the Welsh Consolidated Fund 2016-17:  
Provision & Final Outturn**

	<b>Original Provision £000</b>	<b>Final Provision £000</b>	<b>Final Outturn £000</b>
<b>Expenditure Classified as DEL<sup>(2)</sup></b>	15,232,941	15,541,943	14,773,252
<b>Expenditure Classified as AME</b>	557,080	718,911	661,608
<b>Non Domestic Rates</b>	977,000	977,000	977,000
<b>Total Managed Expenditure</b>	<b>16,767,021</b>	<b>17,237,854</b>	<b>16,411,860</b>
<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	589,240	757,312	253,319
AME Non-cash	110,403	240,260	271,025
<b>TOTAL NON VOTED TME</b>	<b>794,521</b>	<b>1,092,450</b>	<b>619,222</b>
<b>TOTAL VOTED TME</b>	<b>15,972,500</b>	<b>16,145,404</b>	<b>15,792,638</b>
<b>Voted receipts</b>			
Contributions from the National Insurance Fund	1,140,187	1,140,652	1,140,652
NDR Receipts	977,000	1,034,452	1,034,452
<b>Timing Adjustments</b>			
Increase / Decrease in Debtors & Creditors	620	60,620	-158,165
Use of Provisions	0	0	67,360
Movements in balances on the Welsh Consolidated Fund			-1,103
<b>Cash Grant payable to Welsh Consolidated Fund by Wales Office<sup>(3)</sup></b>	<b>13,855,933</b>	<b>14,030,920</b>	<b>13,525,626</b>

## 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)

Following the Treasury's publication of Block Grant Transparency data (<https://www.gov.uk/government/publications/block-grant-transparency-december-2017-publication>), the table that appeared in previous editions of the Wales Office's Annual Report and Accounts reconciling changes in the Welsh Block from one year to the next has been discontinued. Users of this information should instead refer to the Treasury Block Grant Transparency data.

**TABLE 3****Cash grant paid to the Welsh Consolidated Fund 2017-18:  
Provision & Provisional Outturn**

	<b>Original Provision £000</b>	<b>Final Provision £000</b>	<b>Provisional Outturn £000</b>
<b>Expenditure Classified as DEL</b>	15,605,433	16,380,582	15,822,392
<b>Expenditure Classified as AME</b>	754,198	787,749	681,861
<b>Expenditure Financed by Capital Borrowing</b>	20,000	0	0
<b>Non Domestic Rates</b>	1,059,000	1,059,000	1,059,000
<b>Total Managed Expenditure</b>	<b>17,438,631</b>	<b>18,227,331</b>	<b>17,563,253</b>
<i>Less:</i>			
Non Voted expenditure:			
LA Credit Approvals	88,800	88,800	88,800
Other Non-Voted	6,078	6,078	6,078
Wales Act 2014 Transactions:			
Capital Borrowing	20,000	0	0
Resource Ringfenced Non Cash	636,264	949,538	708,226
AME Non-cash	204,937	226,810	237,683
<b>TOTAL NON VOTED TME</b>	<b>956,079</b>	<b>1,271,226</b>	<b>1,040,787</b>
<b>TOTAL VOTED TME</b>	<b>16,482,552</b>	<b>16,956,105</b>	<b>16,522,466</b>
<b>Voted receipts</b>			
Contributions from the National Insurance Fund	1,163,325	1,208,865	1,208,865
NDR Receipts	1,001,278	1,018,348	1,018,348
<b>Timing Adjustments</b>			
Increase / Decrease in Debtors & Creditors	0	60,000	48,925
Use of Provisions	0	0	109,124
Movements in balances on the Welsh Consolidated Fund			7,042
<b>Cash Grant payable to Welsh Consolidated Fund by Wales Office</b>	<b>14,317,949</b>	<b>14,668,892</b>	<b>14,130,162</b>

Following the Treasury's publication of Block Grant Transparency data (<https://www.gov.uk/government/publications/block-grant-transparency-december-2017-publication>), the table that appeared in previous editions of the Wales Office's Annual Report and Accounts reconciling changes in the Welsh Block from one year to the next has been discontinued. Users of this information should instead refer to the Treasury Block Grant Transparency data.

**TABLE 4****Calculation of Cash Grant Payable to Welsh Consolidated Fund 2018-19**

	<b>2018-19</b>
	<b>£000</b>
Expenditure Classified as DEL (Block Grant)	15,827,012
Expenditure Classified as AME	741,995
Expenditure Financed by Welsh Taxes	275,880
Expenditure Financed by Capital Borrowing	125,000
Expenditure Financed by Non Domestic Rates	<b>1,050,000</b>
<b>Total Managed Expenditure</b>	<b>18,019,887</b>
<i>Less:</i>	
<i>Non Voted expenditure:</i>	
Supported Borrowing by Welsh Local Authorities	88,800
Collection costs for the NI Contributions and Non Domestic Rates	6,078
<i>Wales Act 2016 Transactions:</i>	
Income from Welsh taxes:	
Land Transaction Tax	250,000
Landfill Disposal Tax	26,000
Repayment of principal of loans	-120
Capital Borrowing	125,000
Resource Ringfenced Non Cash	664,279
AME Non-cash	53,757
<b>Sub-Total</b>	<b>1,213,794</b>
<b>TOTAL SUPPLY EXPENDITURE</b>	<b>16,806,093</b>
<b>Lees receipts</b>	
Contributions from the National Insurance Fund	1,214,227
NDR Receipts	1,037,743
<b>Cash Grant payable to Welsh Consolidated Fund by Wales Office</b>	<b>14,554,123</b>

## Notes

(1) Totals may not sum due to roundings

(2) Resource and capital DEL including depreciation

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

Following the Treasury's publication of Block Grant Transparency data (<https://www.gov.uk/government/publications/block-grant-transparency-december-2017-publication>), the table that appeared in previous editions of the Wales Office's Annual Report and Accounts reconciling changes in the Welsh Block from one year to the next has been discontinued. Users of this information should instead refer to the Treasury Block Grant Transparency data.





