



UK Government
Llywodraeth y DU

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

Annual Report and Accounts 2020-21



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(For the year ended 31 March 2021)

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1 The Performance Report

Ministerial Foreword

Territorial Offices have come into their own as never before since the devolution Acts of over twenty years ago. The Government's commitment to levelling up across the UK and strengthening the Union, bringing home of powers from Brussels, its new unfettered ability to invest directly in communities, and rapid vaccine procurement in one of the gravest health crises in modern history, have all made the past year at the Office a pivotal one.

The Office of the Secretary of State for Wales ("the Office") works across Whitehall to ensure that Wales gets maximum benefit from these sweeping changes and from policy-making of all kinds, coordinating with the Welsh Government and stakeholders to tailor delivery of those policies on the ground. I would like to thank my Westminster colleagues for their support as we have put the Union front and centre of our efforts. I intend to build on that momentum, taking steps to strengthen the Union every day of this Parliament, as I have striven to do since I became the Secretary of State in 2019.

As well as representing Wales in Westminster, the Office provides a strong visible presence for the UK Government in Wales, working alongside a growing number of departments so that the Welsh public can see the practical benefits of being part of our United Kingdom. The Government's new Hub in Cardiff – Tŷ William Morgan – is a permanent 12-storey illustration of our commitment to Wales. It opened in a Covid-secure, low-key way this Spring and we hold regular press briefings with local media from this new office.

As we move towards recovery from COVID-19, we can look forward to a brighter future for Wales. Even with the backdrop of a global pandemic, in December the Government secured the biggest free trade deal that the European Union has ever agreed. More than 65 free trade deals have been signed since – and that number is increasing by the week. I have made sure that the interests of Welsh businesses are represented in those discussions so that the deals deliver for the Welsh economy.

Closer to home we will empower Welsh communities through the Levelling Up Fund. £4.8 billion is available for the whole of the UK and it will give life to local projects such as bypasses, railway stations and investment to regenerate high streets and town centres. My Office will work with local authorities and other partners to help them realise their ambitions through this direct investment, as well as utilising the £220 million Community Renewal Fund and, the soon to follow, UK Shared Prosperity Fund. It marks a new chapter for the UK Government in Wales, placing power and decision-making where it belongs – at the lowest possible level.

The past year has seen significant direct investment in Wales already. There is £800 million committed to city and growth deals covering every inch of Wales. I have signed several growth deals, three of which will now have their funding accelerated for faster job creation: Swansea Bay, North Wales and Mid Wales. I went to see the site of the Global Centre of Rail Excellence which will benefit from a £30 million investment from the UK Government for the construction of a rolling stock and infrastructure testing complex in Neath Port Talbot. For innovation in North Wales, the Holyhead Hydrogen Hub will benefit from £4.8 million from the Government for a green hydrogen demonstration project which will create high-skilled jobs in Anglesey.

Throughout the year I have engaged closely with our stakeholders, meeting representatives from all over Wales, in all sorts of sectors. This includes Wockhardt and Airbus in North East Wales, the CAF rail factory in South East Wales, and Hybrisan and British Rototherm South West Wales. I continue to hold regular roundtables with businesses, local authorities and others, plus meetings with Welsh Peers and Welsh Government ministers as we move into COVID-19 recovery and complete the transition from leaving the EU.

My Office has acted decisively to play our part in the Government's COVID-19 response. We have ensured that the UK Government and Welsh Government work closely together, and we have signed off on providing military personnel to support the world-leading vaccine rollout. The Government has provided £2.4 billion in funding for the Welsh Government to help fight COVID-19 and I have been pleased to see the difference that UK Government schemes, such as furlough and bounce back loans, have made to Welsh businesses.

It has been an unprecedented year at the Office. I would like to thank my officials for the way that they have responded to the various challenges and my Ministerial team – David TC Davies MP, Baroness Bloomfield and Sarah Atherton MP – for their magnificent support.

Rt Hon. Simon Hart
Secretary of State for Wales

Director's Introduction

2020-21 has been yet another remarkable year for the Office of the Secretary of State for Wales. It started with all of the Department working from home and has finished pretty much the same way. But the situation feels very different now as we look to the future with hope and expectation.

The last year was of course dominated by COVID-19, though the end of the EU Exit Transition Period was also hugely significant for the Department. The Department continues to play its full part in the efforts to meet those challenges, making sure that there is a Welsh voice at every key discussion and that the interests of Wales are never overlooked or side-lined. We worked hard to keep stakeholders informed of developments whilst at the same time drawing on their knowledge, experience and insights to shape the UK Government's approach. Those relationships will be ever more important in the weeks, months and years to come as we seek to rebuild and recover.

The team here have responded magnificently at every turn. Their commitment and dedication have been truly inspirational. It is those qualities and others I see every day that make me so confident that we will succeed in the undertaking we have ahead of us.

It will be a long road but we have made a positive start. The announcement of funding for a Global Centre of Rail Excellence in South Wales and a pilot hydrogen Hub in North Wales are early, tangible illustrations of the vision we have for Wales and the support there is to come. Similarly, the acceleration of funding for three of our City and Growth Deals signals our determination to move at pace. These developments, alongside the introduction of local growth funds such as Community Renewal and Levelling Up and the increasing presence in Wales of departments like International Trade, herald a new and exciting chapter for the United Kingdom Government in Wales.

Glynne Jones CBE
Director

Departmental Overview

The Department's Strategic Overview sets out our work under four strategic priorities

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

Our vision is to support a flourishing Wales within a strong United Kingdom.

The Office has four strategic priorities:

Priority 1 - Stimulate growth and the creation of sustainable jobs by supporting a strong Welsh economy within a flourishing global Britain and the UK internal market.

Maximising opportunities for Wales from UK Government's (UKG's) priorities for trade and foreign investment

Throughout the reporting period the Office worked closely with other Government departments to ensure Wales's interests were fully represented in Free Trade Agreements (FTAs) signed by the UK and other countries, and in mandates for negotiations to agree future FTAs.

The Office's work included:

- Engaging with business and other stakeholders in Wales on the Trade and Co-operation Agreement (TCA) announced on 24 December. The TCA provides for tariff-free quota-free trade to continue between the UK and the EU after the end of the Transition Period on 31 December 2020. The Secretary of State for Wales briefed stakeholders in Wales on the content of the Agreement on 29 December and 19 January.
- Working with the Department for International Trade (DIT) to ensure the mandates for the UK trade negotiations work for Wales. These include the mandates for negotiations with the USA, Australia and New Zealand, and negotiations to join a free trade area with 11 Asia and Pacific nations called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership¹ (CPTPP).
- Explaining the opportunities for Welsh business from the UK Government's ambition to secure FTAs with countries covering 80% of UK trade by 2022. As a first step, the UK-Japan Comprehensive Economic Partnership Agreement, agreed in September and signed in October, builds on the

¹ Current members of the CPTPP include Australia, Canada, Japan and New Zealand.

EU-Japan deal and provides a firm foundation to increase Welsh exports to Japan - worth almost £300 million in 2019.

The deal also secured a way for Welsh products to be officially recognised. By increasing Geographical Indications (GIs) from seven in the EU-Japan deal to potentially over 70 under the UK-Japan Agreement there is real potential to increase the recognition of Welsh brands in the Japanese market.

- Engaging with the Department of International Trade (DIT) on continuity agreements, which rolled over trade agreements between the EU and other countries into UK-third country agreements. The UK rolled over agreements with 63 countries at the end of the Transition Period. This means the UK continues to trade in the same way with these countries as it did when a member of the EU.

The Secretary of State for Wales is a member of the Board of Trade. The revitalised Board met twice during the reporting year - in October 2020 and March 2021 - to discuss matters relating to the UK's re-emergence as an independent trading nation following the end of the Transition Period. The Offices Ministers also attend the Ministerial Forum for Trade (MFT), at which UK Ministers and ministers from the devolved administrations discuss matters relating to international trade. The MFT is supported by a senior officials' group, attended by Office officials.

The Department's Ministers also held regular discussions with HM trade commissioners and chief negotiators to emphasise the importance to Wales and specific sectors of the Welsh economy of UK trade deals.

The Secretary of State for Wales met frequently with senior stakeholders of various sectors in Wales to consider the impact of the UK Government's trade policy. This has included meetings with the farming unions, business representative organisations and the automotive, steel and aerospace industries.

Due to Covid-19, active trade promotion has not been possible as it has been in previous years, with many international events cancelled or postponed, such as the Dubai Expo 2020 and the MPIM property industry fair. We will look to 2021-22 to initiate trade promotion once more.

Support economic growth in Wales

Over the year, the Office has worked closely with UK Research and Innovation (UKRI) to ensure that Wales' expertise is recognised and funding is available to eligible projects. For example, Wales has seen investment of £84.8m on 88 projects through UKRI's Industrial Strategy Challenge Fund. This includes £36m for the Active Building Centre in Swansea and £1.7m for 'living drugs' created by TrakCel in Cardiff. This funding will help bring research to life and develop real-world applications.

Steel remains important to the Welsh economy and strategically important to the whole of the UK. This Government is committed to supporting a productive, vibrant and modern Steel sector in Wales. The Office worked closely with the Department for Business, Energy and Industrial Strategy (BEIS) and the industry to ensure it has a sustainable future. Working with industry, the Government has introduced the Steel Public Procurement guidance which ensures the public sector takes into account the wider social and environmental benefits when procuring for major projects. The Government has also reconvened the Steel Council, which the Secretary of State attends, and launched a joint procurement taskforce with UK Steel to ensure we can continue this relationship.

As part of the Industrial Decarbonisation Challenge, the UK Government announced investment of £20m, match funded by a further £18m from industry, to enable South Wales to develop a tailor-made strategic decarbonisation plan. The plan, which will be developed and led by industry, could incorporate decarbonisation technologies such as low-carbon hydrogen, carbon capture technology and carbon shipping.

In Budget 2021, the UK Government made available £4.8m, subject to business case and other approvals, to support the development of the Holyhead Hydrogen Hub. The Hub proposes a green hydrogen pilot production plant to supply hydrogen fuel to the heavy goods and maritime vehicle markets on Ynys Môn. The proposal looks to take advantage of the region's favourable natural resource endowments and its position as a cross-border, multi-modal transport corridor.

The Office has also worked with BEIS on opportunities for floating offshore wind production in Wales. This technology has strong deployment potential in Welsh waters, particularly in the Celtic Sea off the coast of South West Wales and England where wind speeds are high and deep seas are accessible from major strategic ports. The Office has also worked on other net-zero project opportunities over the past years to ensure that Wales is best placed for future investment.

The Office has worked closely with HMT to progress the Government's commitment to establish at least one freeport in Wales, engaging the Welsh Government, Local Authorities and Ports to develop a freeport offer for Wales. Freeports will be Hubs for international trade, innovation and commerce, bringing new businesses, jobs and investment to regenerate communities across the UK.

City and Regional Growth Deals in Wales

The Office continues to engage at all levels with all the City and Region Growth deals across Wales. This includes monitoring delivery of the deals through regular meetings at official level and Joint ministerial meetings where required.

The Wales City and Growth Deal Implementation Board, co-chaired by senior officials in the Office of the Secretary of State for Wales and the Welsh

Government also met on a quarterly basis to review risks and measure the progress of each deal against performance milestones.

In relation to Cardiff Capital Region (CCR), we have also worked with CCR and Ministry of Housing, Communities and Local Government (MHCLG) on the first five-yearly Gateway review which was successfully completed in March 2021.

On the Swansea Bay City Deal, the Office has worked closely with the Welsh Government and the region to successfully implement the recommendations of the Independent Review that was published in February 2019. Further projects have been approved this year, including low carbon energy interventions such as the Pembroke Dock Marine project, Research & Development (R&D) projects such as the Pentre Awel Wellbeing Village.

The Final Deal Agreement for the North Wales was signed by the Secretary of State and other partners in December 2020. The UK Government committed £120m with the aim of leveraging £2.2billion of GVA uplift with the investment landing just in time for the Deal to play its part in COVID-19 recovery. The Deal's tidal energy project, Morlais, shows great promise as it prepares the site off Anglesey for private sector developers to lease the area for deploying their tidal energy technologies.

The Heads of Terms for the Mid Wales Growth Deal was signed by the Secretary of State and other partners in December 2020. The Government committed in 2019 £55m for the Mid Wales region. The Region is now drawing together a portfolio of ambitious interventions.

In Budget 2021, the Office supported the UK Government decision to accelerate the Swansea Bay City Deal, the North Wales Growth Deal and the Mid Wales Growth Deal investments so that these regions can receive their investments sooner and the Growth Deals can play a key role in COVID-19 recovery.

Priority 2 - Build a prosperous, low carbon, well connected Wales by ensuring that it benefits from plans to deliver growth and opportunity across the UK, including rural support and technology, seizing the opportunities of Brexit and looking to deliver on the PM's commitment to accelerate projects across the UK.

Secure UK Government investment in infrastructure, technology and innovation

The Office's role in infrastructure investment is to help Whitehall departments understand Welsh needs and ensure they are appropriately prioritised. The majority of our engagement on infrastructure has been with the Department for Transport (DFT), the Department for Business Energy and Industrial Strategy (BEIS) and the Department for Digital, Culture, Media and Sport ((DCMS).

Transport infrastructure

In June 2020, the Prime Minister asked Sir Peter Hendy CBE to undertake an independent review into transport connectivity between Scotland, Wales, Northern Ireland and England. £20m has been made available to support the development of Union Connectivity Review proposals, which Wales will benefit from. Sir Peter has already identified, in his interim report, a number of areas that would benefit Wales, including the need for: faster and higher capacity connections for passengers from HS2 to North Wales; higher capacity and faster journey times by rail and road; relief from congestion for the M4 corridor in South Wales; better port capacity at Holyhead, and connections from Ynys Môn and the North Wales coast to Merseyside and Manchester. The Office has worked closely with the secretariat on this Review.

There has been progress on rail upgrades this financial year. In August, the Department for Transport announced a £343m investment package for Welsh rail, which will upgrade infrastructure and improve journeys for passengers. This commitment included £196m, transferred to the Welsh Government, for the Core Valley Lines, a further £75m towards the electrification of the Severn Tunnel, £58m to upgrade Cardiff Central Station and regenerate the wider area, and £4m to re-open Bow Street Station near Aberystwyth.

The Office continued to work with the Department for Transport and Network Rail to progress proposals for Welsh rail enhancements, including:

- Increases to line speeds on the South Wales Relief line between Cardiff, Newport and Severn Tunnel Junction, which will enable additional services to run and improve journey times.
- Journey time reductions on the North Wales Coast Line, through increasing line speeds and between North Wales, North West England and other major UK centres and improving connectivity with HS2.
- Journey time and capacity improvements on the Cardiff-Swansea route, through a mixture of infrastructure enhancements and service interventions.

The Office was successful in influencing the Department for Business, Enterprise, Innovation and Skills to agree to invest up to £30m, subject to approvals and alongside the Welsh Government, in the Global Centre for Rail Excellence, to create a world class train testing facility in Wales. This will help to regenerate former coalmining sites at Onllwyn and Nant Helen – providing highly-skilled jobs and supply-chain opportunities.

On road infrastructure, the Office continues to work with the Department for Transport for options relating to the manifesto commitment to upgrade the A55, and other cross-border road upgrades. The Union Connectivity Review has also looked at cross-border roads and will continue to do so.

Digital infrastructure

The Office has continued to work with the Department of Culture Media and Sport for improvements to the Digital Infrastructure in Wales. Progress on a number of schemes, outlined below, has been made this year.

Under the Shared Rural Network programme, the UK Government has announced investment in 109 mobile signal masts to boost 4G coverage across Wales. 33 new mobile signal masts will be built, including 9 in Powys, 8 in Snowdonia and 5 in the Brecon Beacons. The first new mast was activated in Devauden in June 2020. A further 76 mobile signal masts will be upgraded. These will ensure that 4G coverage is available from at least one mobile operator in 95% of the Welsh landmass by 2026.

The UK Government has also committed £5bn to roll out gigabit-capable broadband across the UK, beginning with £1.2bn over the next four years. This investment will target the hardest to connect 20% of properties, prioritising investment in areas, including in Wales, which are furthest behind on broadband connectivity.

The UK Government will provide over 1,700 vouchers worth £3.4m to stimulate investment in gigabit-capable broadband in Wales. There will be £1.4m million towards the cost of installing gigabit-capable broadband for 558 homes and businesses in Wales, with a further 69 in the pipeline. The Rural Gigabit Connectivity (RGC) scheme has committed over £2m to help deliver gigabit-capable broadband in 270 premises in Wales, with a further 823 RGC vouchers in the pipeline.

Priority 3 - Strengthen and protect Wales's position within the UK by ensuring Wales maximises the benefits from its place within the Union.

Ensure UK Government legislation and policies reflect the interests of Wales and the UK as a whole

The Office worked closely with the Department for Business Energy and Industrial Strategy (BEIS), and the Cabinet Office (CO) to ensure that legislation to protect the UK Internal Market met the needs of Wales. BEIS published the UK Internal Market White Paper in July, which sought views on the Government's approach to ensuring seamless trade across the UK internal market is maintained following the end of the Transition Period. The Secretary of State for Wales held a number of virtual roundtables with businesses and business representative organisations in Wales on 16 July and 10 August, as well a session in Deeside with the Secretary of State for BEIS on 3 August. These sessions highlighted the broad support in Wales for measures to guarantee no internal trading barriers following EU exit.

The Government published its response to the consultation alongside the introduction in Parliament of the UK Internal Market Bill on 9 September. The Bill also included provisions enabling UK Government ministers to give financial

support in certain devolved policy areas, including economic development, infrastructure and culture and confirmed the reservation of subsidy control.

The Office continued to support BEIS and CO in engaging with the Welsh Government during the Bill's parliamentary passage. This engagement resulted in amendments being brought forward to address a number of concerns that had been raised. These included an obligation for the Secretary of State for BEIS to seek the consent of the devolved administrations when panel appointments are made to the Office of the Internal Market. Despite this positive engagement, on 9 December the Senedd refused legislative consent for the Bill. It was however necessary for the Government to proceed with the Bill to Royal Assent in order to put in place a reliable legal basis for the effective and coherent functioning of the UK internal market outside the European Union.

In January, the Welsh Government formally applied for a Judicial Review of the UK Internal Market Act 2020. The UK Government strongly refutes the Welsh Government's claims and the Office has worked closely with the Department for Business Energy and Industrial Strategy in preparing its response ²

The Office continued to work with bill teams on key EU exit related Bills that impact Wales. During this year the Agriculture Act 2020 and the Fisheries Act 2020 both received Royal Assent with the legislative consent of the Senedd. The Senedd also granted its consent to the Trade Bill. The Office also supported inter-Governmental engagement on the European Union (Future Relationship) Bill 2020. Given the expedited nature of the Bill's passage in Parliament - in order to ensure Royal Assent before the end of the Transition Period - the Senedd did not consider legislative consent for the Bill.

Promote and support productive engagement between the UK Government and the Welsh Government

The Office has worked to ensure that Wales remains at the heart of the UK Government's consideration of the Union and has provided a strong voice for Wales within Whitehall. Ministers and officials have worked closely with their counterparts in taking forward key workstreams on the Union. In particular the Office has supported the Cabinet Office in its work to revise the structures governing the relations between the UK Government and the devolved administrations, as well as work to reach agreements on Common Frameworks in areas of devolved competence returning from the EU at the end of the Transition Period.

The Secretary of State for Wales and his Ministerial team met regularly with the Welsh Government, bilaterally and as part of UK Cabinet committees and Inter-Governmental Committees, including the Joint Ministerial Committee (EU Negotiations), chaired by the Chancellor of the Duchy of Lancaster.

² On 19 April 2021 the High Court refused permission for the Welsh Government's bid for a Judicial Review.

Work with the Welsh Government and Senedd Cymru to ensure that the Welsh devolution settlement operates effectively and that Senedd legislation reflects the devolution boundary.

Government of Wales Act 2006 (Amendment) Order 2021

In December the Secretary of State laid the draft Government of Wales Act 2006 (Amendment) Order 2021.

The Order made modifications to Schedules 7A and 7B to the Government of Wales Act 2006 that were needed primarily as a result of EU exit. This included removing references in Schedule 7A that were no longer relevant at the end of the Transition Period and making other minor corrections to both Schedules. Most significantly, the Order amended Schedule 7B to enable the Senedd to be able to remove certain functions of a Minister of the Crown that are exercised concurrently with Welsh Ministers without needing the UK Government's agreement to do so.

The Order was debated in the House of Lords and the House of Commons on 27 January and 2 February respectively, and was approved by the Senedd on 2 February. The Order was made at Privy Council in March.

Wales Act 2014

In December the Secretary of State for Wales published the sixth report on the implementation of the fiscal provisions in Part 2 of the Wales Act 2014. The Act requires that the Secretary of State and the Welsh Ministers each report annually on progress to the UK Parliament and Senedd Cymru. A seventh and final report will be published in May 2021.

Ensure a strong Welsh voice at the heart of the Union

The Places for Growth Programme is responsible for delivering the Government's commitment to relocate 22,000 civil service posts from London and the south east of England by 2030. The Office has worked closely with the Places for Growth Team in the Cabinet Office and UK Government departments to ensure they have a strong presence in Wales. The primary focus of this work has been to secure an early presence in the Cardiff Hub from a number of key departments which are central to delivering policy priorities in Wales. The work also involves the Office supporting the Places for Growth Team in developing Cardiff and Swansea as UK Government Hub locations.

The UK Government Hub in Cardiff

The Office has played a leading role in driving forward and implementing plans for the new UK Government Hub in Cardiff. The building is called Ty William Morgan / William Morgan House and is located in Central Square in the heart of Cardiff.

The Hub brings together over 4,000 UK Government civil servants under one roof and signals the importance of Wales to the UK Government's levelling up

and places for growth agendas. HM Revenue and Customs (HMRC) is responsible for the Hub as its main occupier, and the building will also house staff from many other UK Government departments and agencies, including the Office of the Secretary of State for Wales, the Cabinet Office, the Department for Work and Pensions (DWP) and the Competition and Markets Authority (CMA).

The Office is working to encourage most UK Government departments to locate staff in the Hub during 2021. We are supporting the Ministry for Housing, Communities and Local Government (MHCLG) in establishing a new Wales Area Team in the Hub. The Office is also continuing to support the Department for International Trade (DIT) in establishing its Trade and Investment Hub for Wales, announced by the Secretary of State for International Trade in Cardiff on 23 March 2021.

During 2020-21, the Office worked closely with HMRC on proposals for external and internal branding of the building - including plans for a Union flag as part of the external branding - and on elements of the internal fit-out, including a base for the Secretary of State for Wales and space to hold meetings of the UK Cabinet.

The new Hub opened in February 2021, but due to COVID-19 restrictions all but a few essential workers continue to work from home.

When restrictions ease, and people are able to work at the Hub, we look forward to Ty William Morgan being a focal point for UK Government visibility and engagement in Wales. We're continuing to work closely with all UK Government departments with the aim of basing more staff in the Hub during 2021.

Support Welsh cultural interests in Wales, across the UK and globally

The Office is committed to supporting and promoting Welsh cultural interests in Wales and beyond. Due to the coronavirus pandemic, in person events have not been possible, and the landscape shifted to more essential business-focused roundtables, with the necessity to impart vital public health information and business support. For St David's Day and Wales Week this year, however, the Office supported a wide range of digital events and content. These included video messages from troops serving around the world, and Ambassadors stationed in various posts. As well as that, we featured a bespoke, uplifting performance from the Welsh National Orchestra.

The UK Government is committed to supporting the Welsh Government to achieve its target of one million Welsh speakers by 2050. The Office encourages the use of Welsh in public debate and has ensured that officials across UK Government can access Welsh language training.

Expand the presence and contributions of the Armed Forces and the defence industry in Wales

The Office has worked with the Ministry of Defence (MoD) on their commitment to maintain a strong-Armed Forces footprint in Wales. In January, the MoD

confirmed that the 160th Infantry Brigade and Headquarters will remain in Brecon. A significant armed forces presence will be maintained at St Athan. The Army also remains committed to relocating a major Regular Army unit to Wales, and the MoD continues to examine the options to locate a second major unit in Wales.

Priority 4: Ensure Wales's interests are fully represented as the UK seizes the opportunities from the end of the Transition Period.

Throughout 2020 the Office worked closely with departments and team right across Government to prepare Wales for the end of the EU Transition Period and the UK being an independent trading nation from 2021. These included Defra, HMRC, the Transition Task Force in Cabinet Office and Task Force Europe in No.10. We also worked closely with the Welsh Government and local partners in Wales in preparing for the changes.

The most important aspects of our work have been:

- The Secretary of State was a strong voice for Wales serving on the Cabinet Committee, which managed and co-ordinated operations for the end of the Transition Period. Through the autumn and early winter, the Committee met several times each week, and often daily, to ensure the UK was fully prepared for the end of the Transition Period on 31 December 2020.

The work of the Committee evolved following the end of the Transition Period to one of oversight; monitoring and managing any disruption and seeking to resolve strategic issues in the new arrangements. There had been concern that the introduction of new border controls could cause significant disruption at GB-EU borders at the start of 2021. In practice, disruption was limited although traffic flows at Welsh ports were significantly reduced and did not recover at the same pace as flows at most other UK ports. Officials worked with colleagues across Government to identify the key reasons for this reduction and in particular the extent to which it was linked to COVID-19 restrictions and to the end of the Transition Period.

- Working with HMRC and the Welsh Government to plan the border infrastructure to be built at Welsh roll-on-roll-off ports. The infrastructure is needed for border checks - sanitary and phytosanitary (SPS) checks and customs checks at points of entry to the UK when import controls are implemented³. SPS checks will be undertaken at Border Control Posts (BCPs) and are the responsibility of the Welsh Government because it is a devolved responsibility.

³ The UK Government announced on 11 March 2021 that certification for imported animal products will be needed from October 2021, and customs declarations for all standard goods will be needed from January 2022.

Customs checks will be carried out at Inland Border Facilities (IBFs) where sufficient space is not available at the port and are the responsibility of the UK Government (HMRC). Holyhead port will have both an IBF and BCP and the UK Government and Welsh Government are working together closely in planning them. The Pembrokeshire ports (Fishguard and Pembroke Dock) will have BCP facilities for which the Welsh Government is responsible. The Office is continuing to work closely with HMRC and the Welsh Government to ensure that systems are in place in time for the introduction of import controls.

- Discussing the impending end of the Transition Period with businesses and other stakeholders in Wales, ensuring they were fully prepared for the coming changes. In late 2020, the Office implemented a comprehensive programme of engagement with businesses in Wales. The details of this programme are set out in the box below.

Engaging with Welsh Business on EU Transition

The Office's Ministers undertook an intensive programme of webinars and roundtable discussions with Welsh business during November and December 2020 as the end of the Transition Period neared.

The programme sought to engage with business throughout Wales to encourage them to prepare for the changes the end of the Transition Period would bring and explain the advice, support and guidance available to firms on gov.uk and the websites of regional and local partners.

In this programme:

- The Secretary of State for Wales hosted four webinars which were attended by 600 Welsh companies.
- One webinar focused specifically on the new points-based immigration system and was hosted jointly with the Home Office.
- The Secretary of State and Welsh Minister for the Economy, Transport and North Wales wrote jointly on 3 December to firms in Wales encouraging them to prepare for the end of Transition.
- The fourth and final webinar was hosted jointly by the Secretary of State and the Welsh Minister, exemplifying the close working between the two Government's on EU transition issues.
- The Secretary of State and Parliamentary Under-Secretary of State held six roundtables. Each discussion focused on a specific sector impacted by the end of transition and was chaired by a local partner from one of Wales's leading business representative organisations.
- These included the construction and agri-food sectors, and micro-businesses. The Defra Secretary of State also attended the agri-food roundtable.

- The roundtables encouraged in-depth discussion of how EU Transition would impact specific sectors and how firms in those sectors could plan to mitigate impacts on their business.
- The Secretary of State for Wales also briefed key business stakeholders on the Trade and Co-operation Agreement (TCA) agreed between the UK and EU on 24 December 2020. He held two roundtable discussions with stakeholders on 29 December and 19 January to discuss the main points of the Agreement, gauge the reactions of Welsh business as the new trading arrangements began to take effect in order to be able to feedback views and issues into Cabinet discussions.
- The Ministerial Team met Welsh Ministers, the farming unions and other members of the Welsh farming community and their representative organisations to explain how the Government was fulfilling its manifesto commitment to maintain the current annual budget for farmers cross the United Kingdom in every year of this Parliament. This budget was confirmed for 2021-22 in the Spending Review 2020, and the Secretary of State and Parliamentary Under-Secretary of State made the case to Welsh Ministers to fulfil the Government's commitment on this basis.
- The Office worked with Defra to support our fishing industry, particularly sectors exporting live and perishable seafood. Some firms in these sectors experienced problems in exporting in early 2021 because of the effects of adjusting to our new trading relationship with the EU. Officials worked closely with Defra colleagues to support the sectors with the £23 million UK-wide Seafood Disruption Scheme and Seafood Response Fund.

The shellfish sector faced specific problems in exporting to the EU following the end of the Transition Period. UK exports to the EU of live bivalve molluscs (such as mussels) were prohibited unless the molluscs were harvested in Class A waters. This ban affected Welsh shellfish producers, including those in and around the Menai Straits. Our Ministerial team engaged with Defra colleagues to explore options to support the industry. This work is ongoing.

- Following the end of the Transition Period Ministers and officials worked closely with a range of Welsh firms who were experiencing initial difficulties in continuing to trade with the EU and Northern Ireland. This included issues relating to import/export documentation, groupage and tariffs. Ministers and officials also met specific sectors to discuss matters relating to EU and Northern Ireland trading. For example, the Parliamentary Under-Secretary of State met hauliers in Wales in March 2021 and discussed various aspects of the Northern Ireland Protocol.

Local Growth Funds

The Office worked with other Government departments (notably the Ministry for Housing, Communities and Local Government - MHCLG) on the structure and delivery of local growth funds to replace EU Structural Funds from April 2021-

22. The UK Government announced the Levelling Up Fund (LUF) at Budget 2020 in November. The LUF will invest £4.8 billion in high-value local infrastructure over the next four years to 2024-25, at least £800 million of which will be invested in Wales, Scotland and Northern Ireland. For the first round of funding, at least 5% of total UK allocations will be set aside for Wales.

The Government also announced a one-year UK Community Renewal Fund (UKCRF), a £220 million fund UK-wide investing in skills, enterprise and employment. The UKCRF will help local areas prepare for the UK Shared Prosperity Fund (UKSPF) due to launch in 2022. As EU Structural Funds tail off after 2022-23, the UKSPF will succeed them as a programme distinct from the UKCRF to help to level up and create opportunity across the UK in places most in need in a manner distinct but complementary to the LUF.

In 2018, the Government guaranteed that successful bids for EU funding until the end of 2020 (the end of the Transition Period) will receive their full financial allocation and will continue to receive funding over a project's lifetime. The Government's 2019 manifesto also committed that funding to replace EU Structural Funds in Wales would match the size of EU funds at a minimum. This means that in practice Wales will receive at least the £375 million a year in funding received during the last EU funding period (2014-2020). As spending from EU Structural Funds tails off over the next few years, funding available to Wales from local growth funds will increase to fulfil the Government's manifesto commitment.

EU Structural Funds have long been recognised as an important component in regeneration and renewal funding in Wales, particularly for West Wales and the Valleys. The Office worked very closely with MHCLG, HM Treasury and other Government departments as the delivery structures of both funds were determined. The Secretary of State for Wales and his Ministerial team engaged with Welsh Ministers, Welsh local authorities and other interested parties including the vice-chancellors of universities in Wales following the Budget announcement to brief them on the proposals and listen to views and feedback about the new funds would work most effectively

The government published prospectuses for the LUF⁴ and the UKCRF⁵ on 3 March 2021, inviting local authority-led bids for each fund to be submitted by 18 June. The prospectuses were accompanied with details of priority areas for allocating the LUF⁶ and CRF and notes on the methodologies used to identify those priority areas. Both prospectuses have been published bilingually.

Following publication, our officials have worked closely with MHCLG colleagues to engage with local authorities in Wales and other local partners on the bidding process. We are also working with MHCLG as the department establishes its Wales Area Team, based in the UK Government Hub in Cardiff (see page 15).

4 <https://www.gov.uk/government/publications/levelling-up-fund-prospectus>

5 <https://www.gov.uk/government/publications/uk-community-renewal-fund-prospectus>

6 <https://www.gov.uk/government/publications/levelling-up-fund-additional-documents>

The Office has also worked closely with the Department for Education (DfE) to understand how the Turing Scheme will apply in Wales. The Turing Scheme is the UK Government's scheme to provide funding for opportunities in education and training across the world as part of the Government's Global Britain agenda. It replaces the EU's Erasmus+ programme for students in the UK. The Office will continue to work to ensure Wales benefits fully from the Turing Scheme and that Welsh students can make the most of the opportunities it offers.

The Winter Preparedness Team

The Office established a small Winter Preparedness Team in October 2020 to lead and co-ordinate our work on concurrent winter issues, including any disruption arising from the end of the Transition Period, a resurgence of COVID-19 and responding to severe winter weather, including flooding. The team formed part of a response structure which included all Whitehall departments and the devolved administrations, ensuring that Ministerial discussions post-Transition, including at COBR and XO Committees, were informed by comprehensive data. The team disbanded as planned at the end of March.

Responding to COVID-19

The Office moved quickly and decisively to restructure in response to the Prime Minister's announcement of a national lockdown on 23 March 2020 to help reduce transmission of coronavirus. We suspended all our business-as-usual work unless it was not possible to do so and focused our efforts on the fight against COVID-19.

We created a single team led by a senior leader in the Office to work with other UK Government departments, the Welsh Government and partners right across Wales on a wide range of issues relating to the COVID-19 response in Wales. These included:

- Working to ensure Wales benefitted from the purchasing power and procurement capacity of the UK Government. For example, in ensuring Wales received the Personal Protective Equipment (PPE) it needed to keep front-line workers safe during the pandemic.
- Working hand in hand with the Welsh Government to ensure a seamless Government response to the pandemic. The Secretary of State for Wales and his Ministerial team met the First Minister of Wales and Welsh Ministers frequently during the lockdown to ensure a broad UK-wide response to the pandemic. Welsh Ministers were also invited to attend UK Government Ministerial Implementation Groups (MIGs) which oversaw on a sectoral basis, Government responses to COVID-19 during the first lockdown - including the Health MIG, chaired by the Secretary of State for Health and the Economy MIG, chaired by the Chancellor of the Exchequer.
- Approving requests from the Welsh Government for UK armed forces support in delivering health services in Wales. The Office's role in

approving requests, through the Military Aid to Civilian Authorities (or MACA) process is described in further detail below.

- Working with the Foreign and Commonwealth Office (now the Foreign, Commonwealth and Development Office) to ensure people resident in Wales could return home as part of the UK Government’s programme to return UK nationals stranded abroad during lockdown.
- Providing advice and guidance to businesses in Wales, employees and the self-employed in a wide range of business sectors and the public in general. This included advice on how to access UK Government support schemes for businesses and employees – for example the Coronavirus Business Loans Scheme (CBILS), the Coronavirus Job Retention Scheme (furlough) and the Self-Employed Income Support Scheme (SEISS). Further information on UK Government expenditure in Wales in 2020-21 through these schemes is in Table 1 below.
- Responding to a large amount of correspondence about the pandemic from businesses and individuals in Wales, including many seeking advice and guidance on specific aspects of the restrictions and details of UK Government support schemes. The Ministerial team made representations to Welsh Ministers on behalf of business operating in key devolved sectors of the Welsh economy. These included the tourism and hospitality sector, seeking clarity in relation to easing COVID-19 restrictions over the summer and the retail sector, in relation to Welsh Government limits on Business Rates reliefs.

Scheme	Number of Recipients in Wales	Total Spend in Wales
Coronavirus Job Retention Scheme (Furlough)	463,000 jobs	N/A
Self-Employment Income Support Scheme (SEISS)	295,000 claims	£757m
Bounce Back Loan Scheme	55,094 loans	£1,500m
Coronavirus Business Interruption Loan Scheme (CBILS)	2,228 loans	£503m

As the immediate pressures of the first wave of the pandemic subsided through late May and June, more staff returned to urgent business as usual work, including work on international trade agreements and planning for the end of the Transition Period at the end of 2020. The Office formally disbanded its COVID-19 response team in mid-June, with work on COVID-19 response being mainstreamed with the Office other core priorities.

During the remainder of 2020 and into 2021, the Ministerial team continued to work closely with Cabinet colleagues and Welsh Ministers on the UK's response to COVID-19. This included regular meetings of the relevant Cabinet committee and weekly meetings between the UK Government and the devolved administrations chaired by the Chancellor of the Duchy of Lancaster.

In late 2020 and early 2021 the Secretary of State for Wales engaged with the Parliamentary Under-Secretary of State for COVID-19 Vaccine Deployment, and the Office with the Vaccine Taskforce, to confirm that Wales would receive its fair share of COVID-19 vaccine within the UK-wide approach to vaccine deployment. The engagement confirmed that Wales would receive a share of vaccines proportional to the Barnett Formula.

Throughout the year our Ministerial team worked hard to keep MPs and MSs informed of the Office's work on COVID-19 response. The Secretary of State for Wales held regular meetings with MPs representing Welsh constituencies on COVID-19 response and many other issues. He also gave evidence to the Welsh Affairs Committee four times during 2020-21 on the Government's Covid response and a range of other specific issues. This included a joint evidence session on international trade on 2 November with the Minister of State for Trade Policy at the Department for International Trade.

The Secretary of State also gave evidence to the Senedd Finance Committee in July 2020 and March 2021 and to a joint session of the Senedd's Constitution and Legislative Affairs Committee (CLAC) and External Affairs and Additional Legislation (EAAL) Committee on 30 June. In April 2020, the Secretary of State became the first ever minister to speak in the Commons chamber via a remote link, at the first Welsh oral questions held remotely.

COVID-19 Response: UK Armed Forces Support in Wales

- *Military Aid to the Civil Authorities* (MACA) is the collective term used by the Ministry of Defence and UK administrations more generally to describe the deployment of UK armed forces in support of civilian authorities.
- MACA has been used during the COVID-19 outbreak to deploy UK Armed Forces to support the National Health Service in Wales.
- The Secretary of State for Wales approves all MACA requests by the Welsh Government, working closely with the Secretary of State for Defence and the Minister for the Armed Forces in doing so. In 2020-1, he approved all requests within 24 hours of receiving them.
- Almost 300 military personnel supported the National Health Service in Wales during the pandemic, providing ambulance drivers, logistical planners and vaccinators to work side-by-side with Wales's health professionals.
- The MACA process is an excellent example of how being part of the United Kingdom has benefitted Wales directly through the COVID-19 pandemic.

Funding the Welsh Government's COVID-19 Response

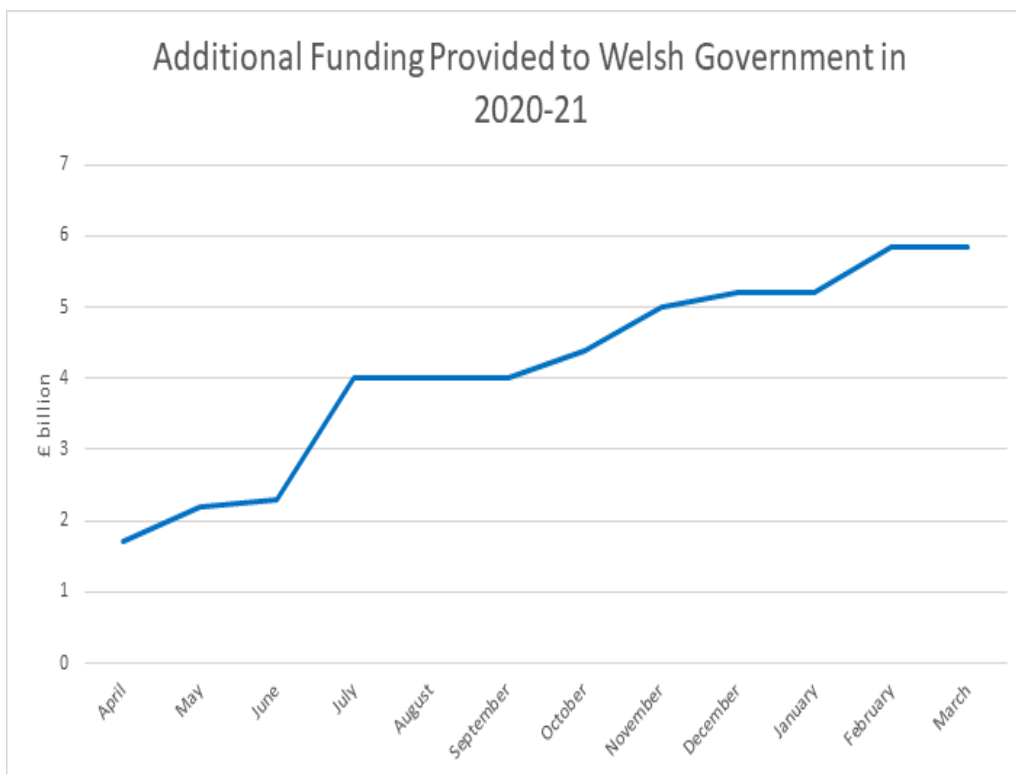
The UK Government demonstrated unprecedented flexibility in funding the Welsh Government for the fight against COVID-19. The Welsh Government received an additional £5.85 billion in 2020-21 to tackle the pandemic.

HM Treasury provided a funding guarantee to each devolved administration for the first time. Any changes to devolved administrations' funding are normally confirmed at the end of the financial year. The funding guarantee, introduced in July 2020, meant that each devolved administration had the certainty to spend immediately up to the amount guaranteed, giving them more certainty and financial flexibility to spend on priorities during the pandemic, such as the NHS and supporting business. The table below sets out increases in the Welsh Government's additional funding through 2020-21, including increases in the funding guarantee from July 2020.

The UK Government also confirmed further funding flexibilities for the Welsh Government to continue the fight against COVID-19 into the 2021-22 financial year. In February, the Chief Secretary to the Treasury approved the Welsh Government being able to carry forward £650 million in flexible funding - money which the Welsh Government had not spent on its COVID-19 response in 2020-21 - as well as any unpaid business rates reliefs. The Welsh Government has confirmed its intention to carry forward the full amount into the next financial year.

This is in addition to the £2.4 billion in additional funding which the UK Government has awarded the Welsh Government for 2021-22, on top of its baseline Welsh Block Grant of £15 billion. The Welsh Government is able to decide how much of this funding to spend on COVID-19 response and recovery and how much to spend on its other priorities.

Throughout 2020-21, the Secretary of State for Wales advocated a fair increase in Welsh Government funding to tackle COVID-19 and pressed Welsh Ministers to ensure the additional money is spent without delay on people and businesses in Wales adversely affected by the pandemic.



Work with the Welsh Government on Coal Tip Safety

The Office has worked hand in hand with the Welsh Government throughout the reporting year on the sensitive issue of coal tip maintenance and remediation in Wales.

The Welsh Government is responsible for the maintenance and remediation of coal tips, but the wider subject of coal is reserved. The UK Government, Welsh Government, Coal Authority and local partners held two coal safety summits on 4 August and 22 December⁷ to review the work carried out by the Coal Tip Safety Taskforce. The Taskforce was established by the Welsh Government in

⁷ The first coal tip safety summit was held in February 2020. The Secretary of State for Wales attended the August meeting and the Parliamentary Under-Secretary of State represented the Office at the 22 December meeting.

the aftermath of the Tylorstown landslip in February 2020 to lead the work on coal tip safety.

The summits looked at:

- Work carried out by the Coal Authority and some Welsh local authorities to assess the safety risks posed by spoil heaps in Wales, and to identify those which posed a high risk of instability. This was the first time that all spoil heaps in Wales had been assessed in a standardised way.
- Ground inspections of high-risk tips by the Coal Authority and relevant local authorities, of high-risk tips. The inspections took place between October 2020 and February 2021. The landslip at Wattstown on 19 December underlined the urgent need for these inspections.

The Office engaged closely with HM Treasury and the Welsh Government to ensure the Welsh Government's claim of £31 million on the UK Reserve⁸ could be approved. The claim related to essential flood repair work following the intense storms in winter 2020. £9 million of this funded urgent maintenance works on high risk tips, including initial works on the Tylorstown site.

The Secretary of State and the First Minister wrote jointly to Welsh MPs and Members of the Senedd on 22 May 2020 and again on 28 January 2021 to update them on the progress of the work. The close working between the Office, the Welsh Government, the Coal Authority and local partners on coal tip remediation is continuing into 2021-22.

The Secretary of State engaged with the Coal Authority and local partners in relation to flooding in Skewen in January 2021. The flooding emanated from mine workings in the area and officials kept in close touch with relevant agencies as work progressed to resolve the problems at the former mine and clean-up the local area.

Finance and Governance

The delivery of our four strategic priorities are underpinned by five principles of efficiency and good corporate governance. They are: -

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

⁸ Claims on the UK Reserve relate to in-year spending. The £31 million therefore related to expenditure in 2020-21 only.

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

Finance

The Department's 2020-21 budget was set in the 2019 Spending Round.

Of the £22.966 billion Welsh settlement, the Office's allocation for 2020-21 was around £5 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 (£22.961 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 Senedd Cymru. The Welsh Government is accountable to Senedd Cymru 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 UK Government departments wherever possible with a view to exploiting all available opportunities to secure where possible efficiencies and strengthen resilience. We currently share a parliamentary team and security adviser with the other Territorial Offices and a freedom of information (FOI) requests service with the Northern Ireland Office. Moving forward we have established a pilot whereby the Wales and Scotland Office finance teams have been merged. The Territorial Offices also plan to undertake a review in 2021-22 of corporate services across the three departments to determine the extent to which further closer working could deliver efficiency gains.

In respect of accommodation, the Department has tenants (the Greater London Lord Lieutenancy and Independent Commission for Aid Impact) in the London office and the Cabinet Office in the Cardiff Office which generated rental income in 2020-21 of £117k for the Department and makes more efficient use of our accommodation. We are also in regular discussions with the Government Property Agency (GPA) over its Hubs programme and have agreed in principle to move into the new UK Government Hub in central Cardiff when the COVID-19 pandemic restrictions are eased. The Hubs Programme seeks to use rationalised estates and land release to reduce overall running costs and wherever possible locate departments together in Hubs around the country.

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

Pension Liabilities

Details of how pension liabilities are treated in the Office’s accounts are disclosed in the Remuneration and Staff Report and Accounting policy note 1.9.

Transparency

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

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

During 2020-21 we dealt with 101 Freedom of Information (FOI) requests as set out below.

Description	Number
FOI requests received, Of which:	101
Responses replied to within 20 working days or within permitted extension	100 (99%)
Internal Review of our responses requested	1
Response referred by requestor to the Information Commissioner	0

Our Parliamentary performance over 2020-21 is summarised below:

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

Our performance in handling correspondence during 2020-21 was:

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

The amount of correspondence received in 2020-21 was more than double compared to the previous year, mainly as a result of COVID-19. However, with continuity of staffing, targeted training and regular reporting, this last year has seen significant improvements in meeting response targets, increasing overall from 68% in 2019-20 to 97% in 2020-21.

Political and Charitable Donations

The Office did not make any political or charitable donations in 2020-21.

Anti-Fraud and Whistleblowing

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

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

Accommodation and Capital works

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

In addition, the Department also rents office space (accommodating around 45% of staff in Wales, located in Cardiff Bay near Senedd Cymru Assembly for Wales and key stakeholders. As set out on the previous page, the Office is planning to move into the new UK Government Hub in central Cardiff when COVID-19 pandemic restrictions are eased.

In Spring 2021 the Office will be transferring the ownership of Gwydyr House to the Government Property Agency (GPA). The transfer is part of a Government wide programme and the GPA will be providing advice and support to the Office going forward.

Both our offices meet the requirements of the Disabilities Act.

Health and Safety

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

During 2020-21, there were no accidents reported to the relevant authorities.

Organisational Change Arising from Covid Lockdown

The lockdown announced by the Prime Minister on 23 March 2020 required the Office to make sudden and abrupt changes to its role and the way in which it organised itself. All staff were required to work from home from mid-March onwards. The Office already had a homeworking policy which worked well but had never before closed its London and Cardiff offices and required all staff to work from home.

The Office's IT is provided by the Ministry of Justice (MoJ). In response to the new working environment, MoJ made available new applications to make contact and communication easier whilst working from home. These included new meeting tools such as Microsoft Teams and Google Hangout. The Office also empowered staff to purchase equipment such as chairs, monitors and headphones to make homeworking more comfortable.

Homeworking also meant changes to the way people work; meeting and communicating remotely and having to interact away from the office environment. Throughout, we have emphasised the need for regular contact and engagement within and between teams and the need for mutual support to help navigate lockdowns and homeworking.

The Office has followed Covid restrictions throughout the pandemic, reflecting variations in restrictions between Wales and England and modifying staff guidance when necessary, as both sets of restrictions changed over time. Our staff continue to work from home unless there is a specific need for them to work at the Office. Those who need to work at the office must notify their intention to do so in advance and follow guidance and signage to maintain social distancing.

Sustainable Development

This sustainable development report has been prepared in accordance with 2020–21 guidelines laid down by HM Treasury in ‘Public Sector Annual Reports: Sustainability Reporting’ published at:

[Sustainability_Reporting_Guidance_2020-21.pdf](https://www.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/585344/sustainability-reporting-guidance-2020-21.pdf) (publishing.service.gov.uk)

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 environmental performance of the Office is reviewed periodically.

Commitments on Environmental Impacts

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

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

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

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

CO ₂ Emission Tonnes					
	2016/17	2017/18	2018/19	2019/20	2020/21
Air travel	5.09	36.01	31.42	49.65	0.00
Rail travel	16.06	15.56	16.29	11.98	1.33
Car mileage	1.21	1.92	2.34	1.92	2.06
Gas heating	18.81	23.59	19.70	13.40	11.14
Electricity*	21.82	26.68	23.42	11.10	10.20
Waste**	0.18	0.11	0.04	0.01	0.10
Total CO ₂ (tonnes)	63.17	103.87	93.21	88.06	24.83
Water consumption cubic metres***	6271	385	212	427	505

* The CO₂ conversion factor for electricity has decreased in 2019 due to a decrease in coal generation and an increase in renewable generation.

** The increase in waste is due to improvement works being undertaken in the London Office.

*** The consumption of water in 2020-1 is based on estimated meter readings.

Due to the COVID-19 pandemic, travel in 2021-21 practically ceased resulting in a considerable reduction to CO₂ emissions.

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 2020-21 the Office spent £21.8 billion within Parliamentary Supply Estimates (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 2021.

Movements in Estimate provision during 2020-21

At the start of the year the Department was voted £18.6 billion in its Main Estimate. By the final Single Supplementary Estimate, this had increased to £22.9 billion largely due to a £4.3bn increase in funding for the Welsh Consolidated Fund (WCF).

Explanation for variances between Estimate and Net Resource Outturn

Wales Office Resource

Spending in Departmental Expenditure Limits		Outturn £000	Estimate £000	(Overspend)/ Under spend £000	Percentage of estimate %
A	Wales Office	4,682	5,319	637	12

The underspend of £637k against the Supply Estimate is attributable in great part to the reduced spending on travel and subsistence due to the COVID-19 restrictions. Other contributing factors include, unavoidable delays in recruiting new staff throughout the year, and unused Departmental Unallocated Provision (HM Treasury recommended reserve).

Spending in Annually Managed Expenditure Limits		Outturn £000	Estimate £000	(Overspend)/ Under spend £000	Percentage of estimate %
B	Wales Office	8	18	10	56

Wales Office - Capital

Spending in Department Expenditure Limits		Outturn £000	Estimate £000	(Overspend)/ Under spend £000	Percentage of estimate %
A	Wales Office	73	80	7	9

Non-Budget Costs

Spending in Non-Budget Limits		Outturn £000	Estimate £000	(Overspend)/ Under spend £000	Percentage of estimate %
C	Grant Payable to the Welsh Consolidated Fund (WCF)	19,630,589	20,791,153	1,160,564	5
D	*Pay over of Welsh Rates of Income Tax to the WCF	2,169,668	2,169,668	0	0
	Total to WCF	21,800,257	22,960,821	1,160,564	5

On the 6th April 2019, the Welsh Rate of Income Tax (WRIT) was introduced in Wales. Receipts from WRIT are added to the Welsh Block Grant.

Statement of Financial Position

The value of net assets at 31st March 2021 is £4.1m (2019-20 £4.5m). The significant balances on the Statement of Financial Position are: -

- Property, plant and equipment £5.1m: - This principally comprises the London accommodation of the Office (Gwydyr House) at £5.0m;
- Financial Assets and Liabilities £70.1m are loans issued from the National Loans Fund (NLF) to the Welsh Government. The NLF interest and capital payments amounts are balanced by corresponding amounts in receivables and payables.

Reconciliation of net resource expenditure between Estimates, budgets and accounts

	2020-21 £000	2019-20 £000
Net Resource Outturn (Estimates)	21,804,947	15,342,470
Adjustments to remove non- budget items*	(21,800,257)	(15,337,546)
Total Resource Budget Outturn	4,690	4,924
Of which		
Departmental Expenditure Limit (DEL)	4,682	4,681
Annually Managed Expenditure Limit (AME)**	8	243
Adjustments include		
Non- Budget items*	21,800,257	15,337,546
Net Operating Cost (Accounts)	21,804,947	15,342,470

Notes

* Non- Budget items are the Grant Payable to the Welsh Consolidated Fund and Payover of Welsh Rates of Income Tax to the Consolidated Fund. See Statement of Parliamentary Supply SOPS1

** AME relates to changes in provisions (see note 11) and downward revaluation of property, plant and equipment assets (see note 2).



Glynne Jones CBE
Accounting Officer
6th July 2021

2 The Accountability Report

Corporate Governance Report

Directors' Report

Ministers, Directors and Senior officials

Ministers/Directors/Senior officials
Rt Hon Simon Hart MP Secretary of State for Wales
David TC Davies MP Parliamentary Under-Secretary of State for Wales
Alison White – Lead Non-Executive Board Member (NEBM)
Alun Evans – Non- Executive Board Member (NEBM) from 4 th January 2021
Peter Umbleja – Non- Executive Board Member (NEBM) to 30 th June 2020
Glynne Jones – Director
Geth Williams – Deputy Director, Union and Corporate Services
Sarah Jennings – Deputy Director, Private Office from 28 th September 2020
Charlotte Cantle – Deputy Director, Private Office to 20 th September 2020
Louise Parry and Kate Starkey – Joint Deputy Director, Policy
Dafydd Jones – Deputy Director, Press and Communications from 11 th January 2021
Victoria Shooter* – Interim Deputy Director, Press and Communications from 5 th October to 31 st December 2020
Ashok Ahir – Deputy Director, Press and Communications to 25 th October 2020
Sarah Stoney** – Deputy Director Legal

Notes

- * Victoria Shooter is employed by the Cabinet Office. She was a member of the Office's Senior Leadership Team but not a member of the Departmental Board.
- ** Sarah Stoney is employed by the Government Legal Department (GLD). She is a member of the Office's Senior Leadership Team but is not a member of the Departmental Board.

The Office had two non-executive board members (NEBM) – Alison White (lead NEBM) and Alun Evans (NEBM). Details of all the Office's committees and membership are outlined in the "Governance Statement" (pages 37-38).

Security and information security

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

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

There were no security incidents reported during 2020-21

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 income and expenditure, Statement of Financial Position 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;
- Prepare the accounts on a going concern basis; and
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

HM Treasury has appointed Glynne Jones the Director of the 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 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 2 to the accounts. During the reporting year no payment was made to the auditors for non-audit work (2019-20 £nil).

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

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

Governance Statement

Introduction

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

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

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

The Office's Governance Statement sets out the governance structures, the internal controls and risk management procedures that have operated within the Office during the financial year 2020-21 and up to the date of when the Annual Report and Accounts are laid in Parliament.

Ministerial responsibilities

The Secretary of State for Wales provides political direction to the Office and is accountable to Parliament. He is supported by a Parliamentary Under-Secretary of State for Wales, and a Baroness in Waiting (Government Whip) in the House of Lords and by a small team of civil servants led by the Director of the Office.

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

Corporate Governance Structures

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

The Departmental Board is responsible for providing advice about the Office's strategic direction (aims and objectives) in accordance with policies decided by Ministers, scrutinising the business plan and ensuring that the office has the capacity and capability to deliver the business plan, to meet current and future needs.

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

In 2020-21 the Board reviewed, agreed updates to and monitored progress of the Office's performance, priorities and objectives.

A review of the operations of the Departmental Board was undertaken by the Lead Non-Executive Board Member (NEBM) in 2021. The findings of this review were detailed in a separate report which was shared with all Board Members. The Departmental Board has continued to improve its effectiveness since last year's review.

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

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

Departmental Board

Members	No. of Eligible Meetings Attended
Rt. Hon Simon Hart MP Chair Secretary of State for Wales	3 of 3
David TC Davies MP Parliamentary Under-Secretary of State for Wales	3 of 3
Alison White – Lead Non-Executive Board Member (NEBM)	6 of 6
Alun Evans – Non- Executive Board Member (NEBM) from 4 th January 2021	2 of 2
Peter Umbleja – Non- Executive Board Member (NEBM) to 30 th June 2020	2 of 2
Glynne Jones CBE – Director	6 of 6
Geth Williams – Deputy Director, Union and Corporate Services	6 of 6
Sarah Jennings – Deputy Director, Private Office from 28 th September 2020	3 of 3
Charlotte Cantle – Deputy Director, Private Office to 20 th September 2020	3 of 3
Louise Parry and Kate Starkey - Joint Deputy Director, Policy	6 of 6
Dafydd Jones - Deputy Director, Press and Communications from 11 th January 2021	2 of 2
Ashok Ahir - Deputy Director, Press and Communications to 25 th October 2020	3 of 3

Notes

*Ministers are scheduled to attend two Board meetings a year.

The Office’s Senior Leadership Team supports the Board by undertaking regular reviews on risk and governance processes.

Committees Reporting to the Departmental Board

The Audit and Risk Assurance Committee (ARAC)

The ARAC is chaired by the Lead Non- Executive Board Member (NEBM), and comprises one other NEBM and another independent member. The independent member has been in post for four years. The Committee operates in accordance with the Treasury’s Audit Committee Handbook and meets quarterly. The

Committee undertook a full evaluation of its own effectiveness in March 2021 seeking views from its members. It concluded that notwithstanding the issue and challenges with COVID-19, there had been no resultant hiatus or detriment in the control environment or standards of governance, and the committee continued to deliver against its remit. This view was confirmed by the work of both internal and external audit.

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

- The Department’s risk registers, business plan and governance processes;
- Annual Report and Accounts;
- National Loan Fund Accounts; and
- Internal and External Audit reports.

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

Audit and Risk Assurance Committee

Members	No. of Eligible Meetings Attended
Alison White – Lead Non-Executive Board Member (NEBM), Chair	4 of 4
Alun Evans – NEBM from 4 th January 2021	1 of 1
Peter Umbleja – NEBM to 30 th June 2020	1 of 1
Sam Hartley ¹ – Independent Member	4 of 4

Footnotes

Note 1: Sam Hartley is currently the Secretary to the Independent Commission on Civil Aviation Noise.

Other Committees

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

The Health and Safety Committee, chaired by the Head of Corporate Services, met twice during 2020-21. The primary focus of the committee during the year was Covid 19 related primarily reviewing and approving guidance prepared for use by all staff in the Office.

Register of Interests

The Wales Office processes for registering outside interests and employment apply to all executive and non-executive members of the Board and Committees and to all Senior Civil Servants working in the department. For those staff below the Senior Civil Service grades the declaration and management of interests is in line with MoJ policies and the requirements of the Civil Service Management Code.

Board Members

The Office maintains a register of interests, which is reviewed and updated on a quarterly basis. The interests registered by members are set out below:

Members	Position/Interest
Alison White	NED & Audit Committee Chair - The Queen Elizabeth II Centre (MHCLG) NED & Audit Committee Chair - Animal and Plant Health Agency (DEFRA) NED & Audit Committee Chair - Government Actuary's Department
Alun Evans	Sole Director - Atbeconsulting Ltd

For Ministers, details of their financial interests are detailed in the House of Commons register. www.parliament.uk/mps-lords-and-offices/standards-and-financial-interests/parliamentary-commissioner-for-standards/register-of-interests/register-of-members-financial-interests/

Special Advisers

In line with the current Declaration of Interests policy for special advisers, all special advisers have declared any relevant interests or confirmed they do not consider they have any relevant interests. The Accounting Officer has considered these returns and the following relevant interests are set out in public:

Olivia Williams - Ms Williams holds an unpaid role as a Director of Nameco 1064.

Business Appointments

The Office follows the Business Appointment Rules (BAR) issued by the Cabinet Office for Civil Servants. www.gov.uk/government/publications/governments-business-appointment-rules-for-civil-servants. The Audit and Risk Assurance Committee monitors the Offices compliance with the rules.

In compliance with BAR, the department is transparent in the advice given to individual applications for senior staff, including Special Advisers and this information is published at: <https://www.gov.uk/search/transparency-and-freedom-of-information-releases?organisations%5B%5D=office-of-the-secretary-of-state-for-wales&parent=office-of-the-secretary-of-state-for-wales>

Risk identification and management

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

The robustness of this system continues to be illustrated by the Department's management of its key strategic risks. In 2020-21 these have included the risks of: -

- Failure to work effectively with the Welsh Government on the post-COVID agenda;
- Failure to support the UK Growth agenda in Wales and work co-operatively with the Welsh Government to help deliver economic growth in Wales;
- Failure of Wales' interests not being fully reflected in the policy and legislation work of UK Government departments;
- The Office is unable to provide adequate or suitable resources to deliver the UK Government's commitments on Wales.

The Office has strong controls in place to mitigate these risks. For example, on the key risk of failure to work effectively with the Welsh Government (WG) on the post-COVID agenda. The UK Government (including the Office) has worked closely together through the Covid Pandemic, with Welsh Ministers.

The two Governments have also continued to work together effectively on a range of initiatives for example, city and growth deals. There are however some political tensions between the current Welsh and UK Governments (UKG), fuelled in large part by the new UK Ministers' UKIM powers and UKG's lead role in engaging with local authorities in Wales on post-EU growth funds.

The Office has a central role in maintaining positive working relationships between UKG and the new Welsh Government, post Senedd elections on 6 May. This will be done through continued multi-lateral and bilateral engagement on matters of mutual interest and in engaging with the WG in a timely and meaningful way.

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 Strategic Risk Register which was reviewed at every Audit and Risk Assurance Committee meeting.

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

The ARAC leads on the scrutiny and handling of key risks, and undertook a detailed review of divisional risk registers and how they were managed.

An example of the Office's capacity to handle new risks is shown by its initial response to the COVID-19 pandemic:

Initial Response to COVID -19

In March 2020, the Office suspended all non-essential work to focus resources on responding to the COVID-19 pandemic. The Office was fully engaged in the Whitehall-wide work on COVID-19 and suspended all business-as-usual work unless it was not possible to do so to focus on the fight against COVID-19.

The Office created a COVID-19 response team to work with other UK Government departments, the Welsh Government and partners right across Wales on a wide range of issues relating to the COVID-19 response in Wales.

As the pressures of the first wave of the pandemic subsided in late May and June, staff returned to urgent business as usual work. The COVID-19 team was disbanded in mid-June, with work on COVID-19 response being mainstreamed with the Offices' other core priorities.

Risk and control framework

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

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

Assurance Statements

Each Deputy Director is required to complete and sign a Certificate of Assurance statement supported by a completed Internal Control Checklist. This year, all

the statements were reviewed by the Government Internal Audit Agency and by the Chair of the ARAC as part of the governance review.

There was one issue to come out of the assurance statement process:

- Mandatory training was undertaken by all Deputy Directors in year with one exception. However, this was addressed just after the year end.

Internal Audit

HM Treasury mandate that internal audit must give a year end assurance on the effectiveness of a Department's governance, risk and control. The Internal Audit assurance is one of the key sources of evidence underpinning the Accounting Officer's Governance Statement.

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

The 2020-21 internal audit plan included reviews of: Resilience, Governance and Financial and Business Planning.

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

The Internal Audit opinion for 2021-21 reported a good level of control and found no significant control issues. It is in this context that the Head of the Internal Audit was able to give a moderate level of assurance on the adequacy of the framework of governance and control within the Office.

Compliance with the Corporate Governance Code

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

- Numbers of NEBMs- After due consideration by the Director, Departmental Board and the Audit and Risk Assurance Committee, and following discussions with Internal Audit and National Audit Office, the Department

decided not to increase the number of its NEBMs. It is felt the current membership is proportionate to the size of the Department (around 52 staff). The two NEBMs brought extremely valuable skills and experience which are particularly relevant to the Office. The lead NEBM is a qualified accountant and an experienced chair and independent member of audit and risk committees, including during the past year, the Animal and Plant Health Agency, Queen Elizabeth 2nd Conference Centre and The Government Actuary's Department. The second NEBM appointed in January 2021 is a former senior civil servant and has experience of being an executive Board member of four Government departments, working with Ministers, and an understanding of the challenges faced by a small Government Department. The former NEBM (whose term ended in June 2020) was a retired chartered accountant from South Wales who has over 30 years' experience in leadership roles.

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

Security and information security

This is covered in the Director's Report. Please see page 32.

Information Risk and Assurance

Information Assets

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

The Office is compliant with the European General Data Protection Regulation (GDPR) which came into effect on 25 May 2018.

Management Information

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

Risks and their Management

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

Outcomes during 2020-21

There were no data losses during 2020-21.

Ministerial Directions

There were no Ministerial directions during the year.

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

Based on its work over this reporting period, the Committee is able to provide reasonable assurance on the adequacy of audit arrangements for the Department and on the assurances provided to the Accounting Officer in respect of the governance, risk management and control arrangements. It is also able to provide assurance that the processes in place to produce the financial accounts for the Department are sound.

Assessment of system of internal control

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



Glynne Jones CBE
Accounting Officer
6th July 2021

Remuneration and Staff Report

Remuneration Report

The Remuneration and Staff Report summarises the remuneration of Ministers, Executive Board Members, Non-Executive Board Members (NEBMs) and staff; it also provides details of actual costs and contractual arrangements.

The Remuneration and Staff Report has been prepared in accordance with the requirements of the financial reporting manual as issued by HM Treasury. Some of the tables in this report have been subject to audit by the external auditor, the Comptroller & Auditor General, appointed under the Government Resources and Accounts Act 2000. Where tables are subject to audit, this is clearly stated.

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: <https://www.gov.uk/government/organisations/review-body-on-senior-salaries>.

Board members and senior civil servant's remuneration

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

Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise.

Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commission can be found at <https://civilservicecommission.independent.gov.uk/>

Ministers' salaries and pension entitlements

This section has been subject to audit.

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 £81,932 (from 1 April 2020) 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. above. In respect of Ministers in the House of Commons, departments

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. No Minister in the Office of the Secretary of State for Wales received benefits in kind in 2020-21 or 2019-20.

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)1		Total (to nearest £1000)
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	
The Rt. Hon Simon Hart MP, Secretary of State†	67,505	18,817	nil	nil	17,000	4,000	85,000	23,000	
The Rt. Hon Alun Cairns MP, Secretary of State to 6 th November 2019††	n/a	57,379	n/a	nil	n/a	12,000	n/a	69,000	
David TC Davies MP, Parliamentary Under Secretary of State †††	nil	nil	nil	nil	nil	nil	nil	nil	
Kevin Foster MP, Parliamentary Under Secretary of State from 4 th April 2019 to 16 th December 2019††††	n/a	nil	n/a	nil	n/a	nil	n/a	nil	
Nigel Adams MP, Parliamentary Under Secretary of State (from 5 th November 2018 to 3 April 2019††††	n/a	nil	n/a	nil	n/a	nil	n/a	nil	
Lord Bourne of Aberystwyth, Parliamentary Under Secretary of State to 26 th July 2019†††††	n/a	nil	n/a	nil	n/a	nil	n/a	nil	

Notes to the table:

- The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
- † Following the UK General Election, on the 16th December 2019, the Rt. Hon Simon Hart MP was appointed Secretary of State for Wales. His full time equivalent salary in 2019-20 in this role was £67,505. No-one held the post of Secretary of State for Wales between the 6th November and the General Election.
- †† On the 6th November 2019, the Rt Hon Alun Cairns resigned from his post as Secretary of State for Wales. His total salary for 2019-20 includes a compensation payment of £16,876. The full time equivalent salary in this role was £67,505.
- ††† Following the UK General Election, on the 16th December 2019, David TC Davies was appointed Parliamentary Under-Secretary of State for Wales, replacing Kevin Foster MP.

†††† On the 4th April 2019, Kevin Foster MP was appointed Parliamentary Under-Secretary of State for Wales, replacing Nigel Adams MP who stood down from this role on the 3rd April 2019.

†††† On the 26th June 2019, Lord Bourne stood down from his role as Parliamentary Under Secretary of State.

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

Pension Benefits					
	Accrued Pension at age 65 as at 31 March 2021	Real increase in pension at age 65	CETV at 31 March 2021	CETV at 31 March 2020	Real increase/decrease in CETV £000
Ministers	£'000	£'000	£'000	£'000	£'000
The Rt. Hon Simon Hart MP, Secretary of State	0-5	0-2.5	25	7	10
The Rt. Hon Alun Cairns MP, Secretary of State to 6th November 2019	n/a	n/a	n/a	69	n/a
David TC Davies MP, Parliamentary Under Secretary of State from 16th December 2019	nil	nil	nil	nil	nil
Kevin Foster MP, Parliamentary Under Secretary of State from 4th April 2019 to 16th December 2019	n/a	n/a	n/a	nil	nil
Nigel Adams MP, Parliamentary Under Secretary of State (to 3 rd April 2019)	n/a	n/a	n/a	nil	nil
Lord Bourne of Aberystwyth, Parliamentary Under Secretary of State to 26th July 2019	n/a	n/a	n/a	nil	nil

Notes to the table:

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

Ministerial Pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute and the rules are set out in the Ministers' etc. Pension Scheme 2015, available at <http://qna.files.parliament.uk/ws-attachments/170890/original/PCPF%20MINISTERIAL%20SCHEME%20FINAL%20RULES.doc>.

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

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

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

The Cash Equivalent Transfer Value (CETV)

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

The real increase in the value of the CETV

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

Board Members' salary and pension entitlements

This section has been subject to audit.

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 2020-21 relate to performance in 2019-20 and the comparative bonuses reported for 2019-20 relate to performance in 2018-19.

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

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

Single total figure of remuneration										
Officials	Salary (£'000)		Bonus payments (£,000)		Benefits in kind (to nearest £100)		Pension benefits to nearest £1000) ²		Total (£1000)	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Glynne Jones CBE, Director	95-100	90-95	5-10	nil	nil	nil	54,000	38,000	155-160	130-135
Geth Williams Deputy Director, Union and Corporate Services	75-80	70-75	5-10	nil	nil	nil	46,000	33,000	130-135	105-110
Sarah Jennings Deputy Director, Private Office (from 28 th September 2020) †	45-50	n/a	nil	n/a	nil	n/a	19,000	n/a	65-70	n/a
Charlotte Cantle, Deputy Director, Private Office (to 20 th September 2020) ††	35-40	40-45	nil	nil	nil	nil	15,000	17,000	50-55	55-60
Louise Parry, Deputy Director, Policy, job share with Kate Starkey (from 10 th June 2019) †††	45-50	30-35	nil	nil	nil	nil	39,000	75,000	80-85	105-110

Single total figure of remuneration										
Officials	Salary (£'000)		Bonus payments (£,000)		Benefits in kind (to nearest £100)		Pension benefits to nearest £1000) ²		Total (£1000)	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Kate Starkey, Deputy Director, Policy – job share with Louise Parry (from 10 th June 2019) †††	45-50	30-35	nil	nil	nil	nil	35,000	25,000	80-85	55-60
Dafydd Jones, Deputy Director, Press and Communications (from 11 th January 2021) ††††	15-20	n/a	nil	n/a	nil	n/a	7,000	n/a	25-30	n/a
Ashok Ahir, Deputy Director, Press and Communications (to 25 th October 2020) †††††	40-45	75-80	nil	nil	nil	nil	17,000	30,000	60-65	105-110

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.
- † Sarah Jennings joined the Department as Deputy Director Private Office on the 28th September 2020. Her full-time salary in 2020-21 is the range of £90k to £95k.
- †† Charlotte Cantle was on loan from the Cabinet Office between the 23rd September 2020. Her full time equivalent salary in 2020-21 was in the range of £80k to £85k (2019-20 £80-85k).
- ††† Louise Parry and Kate joined the Department as Deputy Director Policy on the 10th June 2019. Their full time equivalent salary for 2020-21 is in the range of £70k to £75k (2019-20 £70k to £75k).
- †††† Dafydd Jones joined the Department as Deputy Director Communications on the 11th January 2021. His full time equivalent salary in 2020-21 is in the range of £80k to £85k.
- ††††† Ashok Ahir left the Department on the 25th October 2020. His full time equivalent salary in 2020-21 is 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)	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
Alison White, Audit Committee Chair	10-15	10-15	nil	nil	10-15	10-15
Alun Evans, Non-Executive Director (from 4 th January 2021) *	0-5	n/a	nil	n/a	0-5	n/a
Peter Umbleja, Non-Executive Director (to 30 th June 2020) **	0-5	5-10	nil	nil	0-5	5-10

Notes to the table:

- * Alun Evans was appointed as a NED on the 4th January 2021. His full time equivalent salary in 2020-21 was in the range £5k to £10k.
- ** Peter Umbleja appointment as NED ended on the 30th June 2020. His full time equivalent salary in 2020-21 was in the range £5k to £10k.

Pension Benefits

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2021	Real increase in pension and related lump sum at pension age at 31 March 2021	CETV at 31 March 2021	CETV at 31 March 2020	Real increase/decrease in CETV
	£000	£000	£000	£000	£000
Glynne Jones CBE, Director	40 - 45 plus a lump sum of 90 - 95	2.5 - 5 plus a lump sum of 0 - 2.5	837	770	37
Geth Williams, Deputy Director, Union and Corporate Services	30 - 35 plus a lump sum of 70 - 75	0 - 2.5 plus a lump sum of 0 - 2.5	616	560*	34
Sarah Jennings Deputy Director, Private Office (from 28 th September 2020)	10-15	0-2.5	134	n/a	9
Charlotte Cantle, Deputy Director, Private Office (to 20 th September 2020)	5-10	0-2.5	62	53	5
Louise Parry, Deputy Director Policy	15-20 plus a lump sum of 30-35	0 - 2.5 plus a lump sum of 2.5-5	244	211	24
Kate Starkey, Deputy Director Policy	20-25	0-2.5	274	246	19
Dafydd Jones, Deputy Director, Press and Communications (from 11 th January 2021)	0-5	0-2.5	4	n/a	2
Ashok Ahir, Deputy Director, Press and Communications (to 25 th October 2020)	0-5	0-2.5	51	37	9

Notes to the table:

* The 2019-20 CETV for Geth Williams has been recalculated by the Pension providers due to a change in the way they calculate pension benefits (from 17th January 2020 GMP is no longer applied). The effect of this recalculation is that the CETV at 31st March 2020 has changed from 559 to 560.

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 switch into **alpha** sometime between 1 June 2015 and 1 February 2022. Because the Government plans to remove discrimination identified by the courts in the way that the 2015 pension reforms were introduced for some members, it is expected that, in due course, eligible members with relevant service between 1 April 2015 and 31 March 2022 may be entitled to different pension benefits in relation to that period (and this may affect the Cash Equivalent Transfer Values shown in this report – see below). 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 defined contribution (money purchase) 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 an occupational defined contribution pension arrangement which is part of the Legal & General Mastertrust. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member). The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer’s basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the

cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

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

The Cash Equivalent Transfer Value (CETV)

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

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

The real increase in the value of the CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pay Multiples

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

The banded remuneration of the highest-paid director in the Office in the financial year 2020-21 was £105-£110k (2019-20, £90-£95k) (See Single total figure of remuneration table). This was 2.7 times (2019-20, 2.5 times) the median remuneration of the workforce, which was £39,386 (2018-19, £36,798).

In 2020-21, no employees (2019-20, nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £8,300 to £106,000 (2019-20 £8,300 to £93,000).

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 2020-21 or 2019-20.

Ministers

There were no severance payments made in 2020-21. (In 2019-20 The Rt. Hon. Alun Cairns MP left under severance terms on 6 November 2019 and received a severance payment of £16,876).

Staff Report

Staff Costs (audited)

The Office's expenditure on staff during 2020-21 is shown in the table below:-

	31 March 2021			31 March 2020	
	Permanently Employed Staff & Inward Secondees	Others	Ministers	Total	Total
	£000	£000	£000	£000	£000
Wages and salaries	2,473	88	68	2,629	2,518
Social security costs	222	-	8	230	195
Other pension costs	548	-	-	548	464
Total Costs	3,243	88	76	3,407	3,177

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme in which the Office is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice.gov.uk/pensions

For 2020-21 employer's pension contributions of £548k (2019-20: £464k) were payable to the PCSPS at one of four rates in the range 26.6% to 30.3% (2019-20: 26.6% to 30.3%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflected past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' pension contributions of £0 (2019-20: £0) were paid to one or more the panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 8% to 14.75% (2019-20: 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. (2019-20: £Nil).

There were no retirements during 2020-21(2019-20: Nil) on the grounds of ill health.

Staff Numbers

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

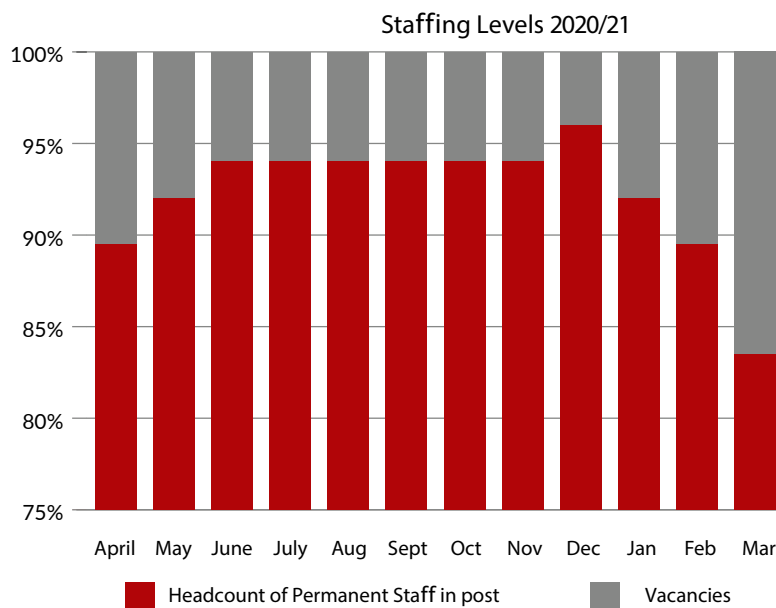
	31 March 2021	31 March 2020
Permanent staff	47	41
Others	2	6
Ministers	2	2
Special Advisers*	2	1
Total	53	50

The special adviser numbers are taken on a snapshot date of 31 March 2021.

Special Advisers are temporary civil servants. In order to improve efficiency, the administration of staff costs for all Special Advisers across Government was moved to the Cabinet Office in July 2019, with corresponding budget cover transfers. Therefore, special adviser costs are now reported in the Cabinet Office Annual Report and Accounts. Special Advisers remain employed by the respective Departments of their appointing Minister.

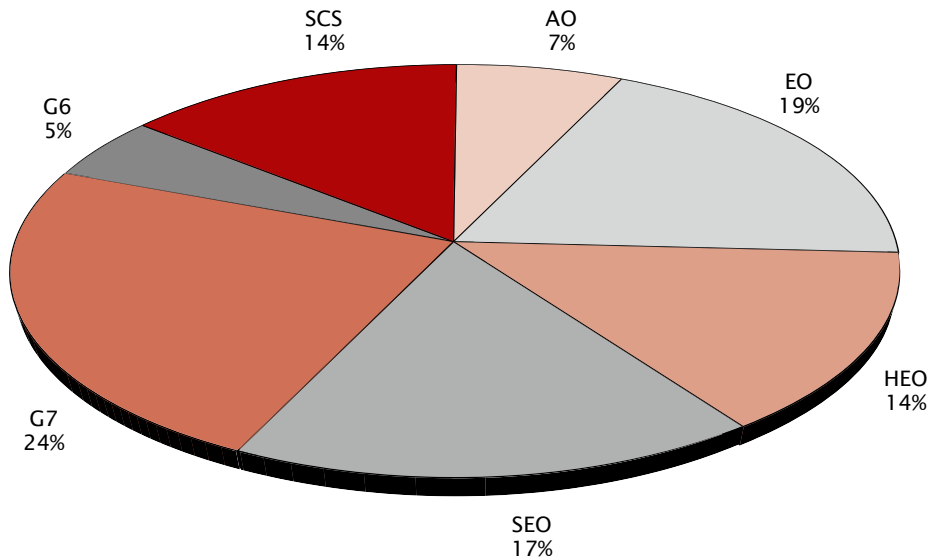
The Office has never employed staff directly. We continue to receive employment services from the Ministry of Justice (MoJ) who assign staff to us. MoJ are subject to the Civil Service Commissioners' Recruitment Principles and staff are recruited on our behalf through fair and open competition. In the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

The Office had a staff complement of 52 staff by the end of the 2020-21 financial year reporting period. However, as the chart below shows, the full complement was not achieved in any given month although there was an average of 88% in staffing levels across the year. The staff turnover during the year was around 39%.



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

Percentage of Staff at Each Grade as at 31 March 2021



At the end of the financial year 2020-21, 45% of staff were based in our Cardiff office and 55% in our London office.

Reporting of Civil Service and other compensation schemes – exit packages

There were no Civil Service exit packages in 2020-21 or 2019-20.

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.

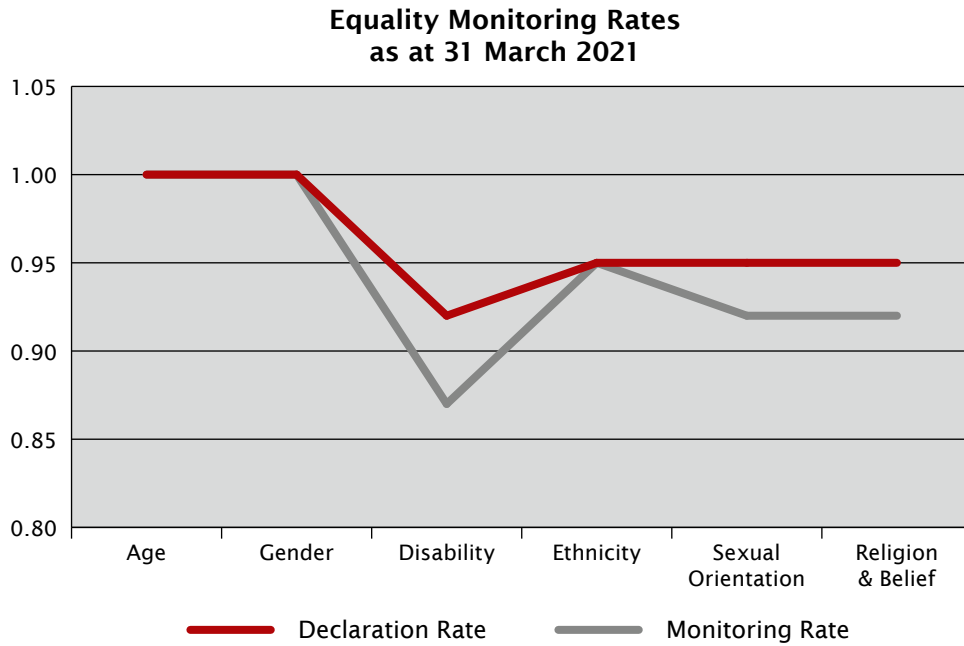
Senior Civil Service

At the 31 March 2021, there were seven people holding 6 substantive senior civil servant posts in the Office of the Secretary of State for Wales. These numbers include one lawyer who is on secondment from the Government Legal Department.

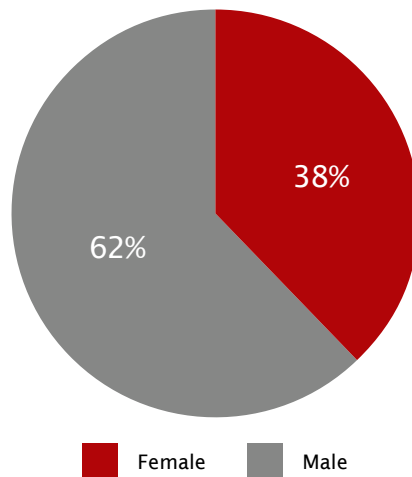
Staff in Senior Civil Service positions	March 2021	March 2020
Proportion of women	57%	57%
Proportion of women at Pay band 2 & above	0%	0%
Proportion of Black and Minority Ethnic (BAME) disclosed	0%	17%
Proportion of Disabled staff disclosed	0%	0%

Equality & Diversity

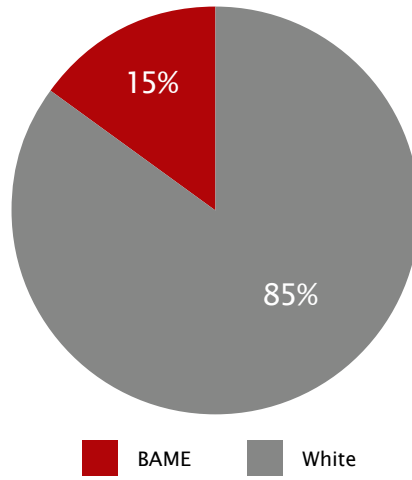
Information regarding a range of personal characteristics are monitored through the Ministry of Justice Human Resources (HR) system where staff are encouraged to make personal declarations at regular intervals throughout the year. Data available as at 31 March 2021 in terms of gender, ethnicity, disability, age and sexual orientation are shown in the charts below



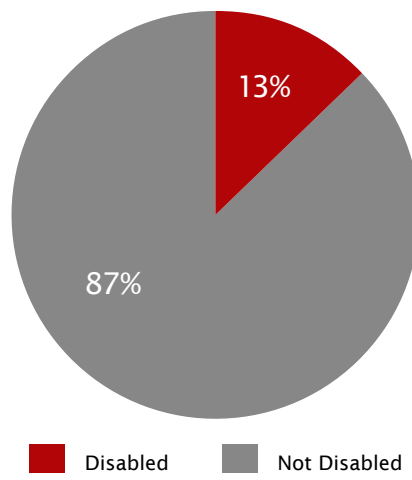
Gender Profile as at March 2021



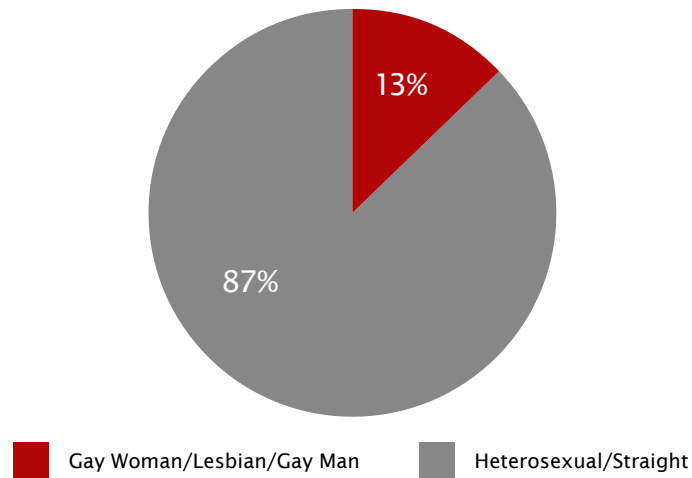
Ethnicity Profile as at March 2021



Disability Profile as at 31 March 2021



Personal Sexual Orientation as at 31 March 2021

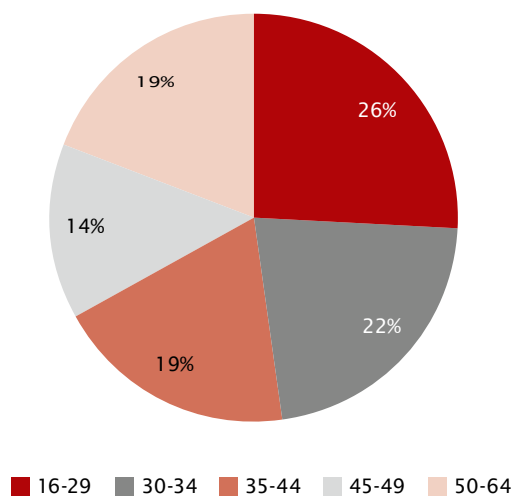


In terms of Religion & Belief reporting, as some of the categories relate to fewer than five staff, the information will not be published.

The Ministry of Justice (MoJ) as the employer uses anonymised applications as part of its recruitment process to reduce unconscious bias at the short-listing stage. The Office continues to make interview panel membership more diverse and as a minimum strives for gender representation on all panels.

The table below shows the age profile of staff working in the office.

Age Profile as at 31 March 2021



Employment of disabled persons

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

Other Health Wellbeing Issues

The average number of working days lost (AWDL) due to staff sickness for the calendar year 2020 was 6.49. This is a result of long term absence due to serious medical conditions. This is borne out by the data that 83% have had no recorded absence during the same period.

The Office regularly participates in Wellbeing events organised in collaboration with the wider UK Governance Group and now receives wellbeing suggestions weekly. The department has recently increased its Mental Health First Aiders to four.

Spend on consultancy and temporary staff

The spend on consultancy in 2020-21 was nil. (2019-20 £6,000).

The total spend on temporary staff in 2020-21 was £87,665 (2019-20 £206,865). The Office used temporary staff to cover for vacant posts.

Staff Engagement Survey

The Office participated in the annual civil service-wide survey. Our overall staff engagement was 61%.

Off Payroll Appointments

In 2020-21 the Office had no off-payroll appointments for more than £245 per day and for duration of six months or longer.

Welsh Language

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

We recognise the importance of the Welsh language in our day to day work, and provide training and guidance for staff accordingly. A skills audit of the Department's staff is conducted annually and the results of this provide the foundation for our workforce and succession planning. As at 31 March 2021:

- 11% of staff assessed themselves as being fluent in listening, reading and speaking Welsh, with 9% of staff considering themselves fluent in written Welsh.
- 5% of staff assessed themselves to have advanced skills in listening, reading and speaking Welsh, with 7% of staff considering themselves to have advanced skills in written Welsh.
- 11% of staff assessed themselves to have intermediate skills in reading Welsh, 7% of staff consider themselves to have intermediate skills in speaking Welsh and 5% of staff assessed themselves to have intermediate skills in listening to Welsh.
- 18% of staff assessed themselves to have basic level of skills in reading Welsh, 16% of staff consider themselves to have a basic level of skill in listening and speaking Welsh and 9% have a basic level of skill in writing Welsh.
- 55% of staff assessed themselves as having no Welsh Language capability.

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.

The SoPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SoPS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary position (for resource and capital purposes) and cash (drawn primarily from the Consolidated fund), that Parliament gives statutory authority for entities to utilise. The Estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SoPS mirrors the Supply Estimates published on gov.uk, to enable comparability between what Parliament approves and the final outturn.

The SoPS contains a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following: Outturn by Estimate line, providing a more detailed breakdown (note 1); a reconciliation of outturn to net operating expenditure in the SOCNE, to tie the SoPS to the financial statements (note 2); a reconciliation of outturn to net cash requirement (note 3); and, and analysis of income payable to the Consolidated fund (note 4).

Summary of Resource and Capital Outturn 2020-21

Type of Spend	SoPS Note	2020-21		2020-21		2020-21		2020-21		2020-21		2019-20	
		Voted £000	Non-Voted £000	Outturn	Estimate	Outturn vs Estimate	Estimate	Voted £000	Total £000	Outturn vs Estimate	Estimate	Total £000	Total £000
Departmental Expenditure Limit													
Resource	1.1	4,682	-	4,682	5,319	637	5,319	637	637	4,681		4,681	
Capital	1.2	73	-	73	80	7	80	7	7	45		45	
Total		4,755	-	4,755	5,399	644	5,399	644	644	4,726		4,726	
Annually Managed Expenditure													
Resource	1.1	8	-	8	18	10	18	10	10	243		243	
Capital	1.2	-	-	-	-	-	-	-	-	-		-	
Total		8	-	8	18	10	18	10	10	243		243	
Total Budget													
Resource		4,690	-	4,690	5,337	647	5,337	647	647	4,924		4,924	
Capital		73	-	73	80	7	80	7	7	45		45	
Total Budget Expenditure		4,763	-	4,763	5,417	654	5,417	654	654	4,969		4,969	
Non-Budget Expenditure													
		21,800,257	-	21,800,257	22,960,821		22,960,821		1,160,564	15,337,546		15,337,546	
Total Budget and Non-Budget		21,805,020	-	21,805,020	22,966,238		22,966,238		1,161,218	15,342,515		15,342,515	

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on gov.uk, for detail on the control limits voted by Parliament.

Net cash requirement 2020-21 all figures presented in £000's

Item	SoPS Note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Prior Year Outturn Total 2019-20
Net cash requirement	3	21,804,789	22,966,018	1,161,229	15,342,040

Administration costs 2019-20

Type of Spend	SoPS Note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Prior Year Outturn Total 2019-20
Administration costs	1.1	4,406	4,868	462	4,486

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Notes to the Statement of Parliamentary Supply 2020-21 (£000's)

SOPSI Outturn detail, by Estimate Line

SOPSI.1 Analysis of outturn by Estimate line

Type of Spend (Resource)	Administration				Programme			Resource Outturn		Estimate		Outturn vs Estimate savings (excess)	Prior Year Outturn Total 2019-20
	Gross	Income	Net	Gross	Income	Net	Total	Total Inc. virements	Total	Virement			
Spending in Departmental Expenditure Limits (DEL)													
Voted Expenditure													
A - Wales Office	4,523	(117)	4,406	276	-	276	4,682	5,319	-	5,319	637	4,681	
Total voted DEL	4,523	(117)	4,406	276	-	276	4,682	5,319	-	5,319	637	4,681	
Total spending in DEL	4,523	(117)	4,406	276	-	276	4,682	5,319	-	5,319	637	4,681	
Spending in Annually Managed Expenditure (AME)													
B - Provisions and Impairments	-	-	-	8	-	8	8	18	-	18	10	243	
Total voted AME	-	-	-	8	-	8	8	18	-	18	10	243	
Total spending in AME	-	-	-	8	-	8	8	18	-	18	10	243	
Non Budget Expenditure													
C - Grant Payable to the Welsh Consolidated Fund	-	-	-	19,630,589	-	19,630,589	19,630,589	20,791,153	-	20,791,153	1,160,564	13,278,456	
D - Payover of Welsh Rates of Income Tax to Welsh Consolidated Fund	-	-	-	2,169,668	-	2,169,668	2,169,668	2,169,668	-	2,169,668	-	2,059,000	
Total Non Budget Expenditure	-	-	-	21,800,257	-	21,800,257	21,800,257	22,960,821	-	22,960,821	1,160,564	15,337,546	
Total Resource	4,523	(117)	4,406	21,800,541	-	21,800,541	21,804,947	22,966,158	-	22,966,158	1,161,211	15,342,470	

SOPS1.2 Analysis of capital outturn by Estimate line (£000's)

Type of Spend (Capital)	Outturn		Estimate		Outturn vs Estimate savings (excess)	Prior Year Outturn 2019-20
	Gross	Income	Total Virements	Total inc virements		
Spending in Departmental Expenditure Limits (DEL)						
Voted Expenditure						
A - Capital	78	(5)	73	80	-	7
Total Voted DEL	78	(5)	73	80	-	7
Total spending in DEL	78	(5)	73	80	-	7
Total Capital	78	(5)	73	80	-	7

The total Estimate columns include virements. Virements are the reallocation of provision in the Estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements are provided on the Supply Estimates Manual, available on gov.uk. The outturn vs estimate column is based on the total including virements. The estimate total before virements have been included so that users can tie the estimate back to the Estimates laid before Parliament.

SOPS2 Reconciliation of outturn to net operating expenditure

	SoPS Note	Outturn total £000	Prior Year Outturn Total 2019-20 £000
Total resource outturn	1.1		
Budget		4,690	4,924
Non-Budget		21,800,257	15,337,546
Total		21,804,947	15,342,470
Net Operating Expenditure in Statement of Comprehensive Net Expenditure	SOCNE	21,804,947	15,342,470

As noted in the introduction to the Statement of Parliamentary Supply (SoPS), outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, International Financial Reporting Standards (IFRS). Therefore, this reconciliation bridges the resource outturn to net operating expenditure, linking the SoPS to the financial statements.

There are no reconciling items and the total resource outturn in the SoPS is the same as the net operating expenditure in the Statement of Comprehensive Net Expenditure (SOCNE).

SOPS3 Reconciliation of Net Resource Outturn to Net Cash Requirement

	SoPS Note	Outturn total	Estimate	Outturn vs Estimate savings/ (excess)
		£000	£000	£000
Total Resource outturn	1.1	21,804,974	22,966,158	1,161,211
Total Capital outturn	1.2	73	80	7
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(163)	(175)	(12)
New provisions and adjustments to previous provisions		(3)	(3)	-
Other non-cash items		(42)	(42)	-
<i>Adjustments to reflect movements in working balances:</i>				
Capital disposals		5	-	(5)
Increase/(decrease) in receivables		(62)	-	62
(Increase)/decrease in payables		34	-	34
Use of provisions				
Total		(231)	(220)	11
Net cash requirement		21,804,789	22,966,018	1,161,229

As noted in the introduction to the SoPS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis.

Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

SOPS4 Amounts of income payable to the Consolidated Fund

SOPS4.1 Analysis Income payable to the Consolidated Fund

In addition to income retained by the Department the following income is payable to the Consolidated Fund.(cash receipts being shown in italics).

Item	Outturn		Prior Year 2019-20	
	Accruals	Cash basis	Accruals	Cash basis
	£000	£000	£000	£000
Income outside the ambit of the Estimate				
Forfeited Assembly Election Deposits	-	-	-	-
Total Income payable to the Consolidated Fund	-	-	-	-

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

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

	Outturn Total 2020-21	Prior Year Outturn 2019-20
	£000	£000
Student Loans	28,244	47,626
Cleddau Bridge Loan	200	-
Tai Cymru	7	11
Bank Interest	59	41
Other	-	8
Amount payable to the Consolidated Fund	28,510	47,686
Balance held at the start of the year	-	-
Payments into the Consolidated Fund	28,510	47,686
Balances held on trust at the end of the year	-	-

The total income paid into the Consolidated Fund as at 31st March 2020 and 31 March 2021 were:

	Outturn Total	Prior Year Outturn 2019-20
	£000	£000
Income from 2019-20		47,686
Income from 2020-21	28,510	
	28,510	47,686

3. Parliamentary Accountability Disclosures (subject to audit)

3.1 Losses and Special Payments

The Wales Office has made no losses and special payments in 2020-21 (2019-20 Nil).

3.2 Remote Contingent Liabilities

The Wales Office does not have any remote contingent liabilities.



Glynne Jones CBE
Accounting Officer

6th July 2021

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 2021 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Department'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. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

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 2021 and of the Department's net operating expenditure for the year then ended; and
- 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 2021 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Wales Office in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Wales Office's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Wales Office's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Wales Office is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other Information

The other information comprises information included in the Annual Report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, 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 I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves.

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, based on the work undertaken in the course of the audit:

- 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; 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

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 material misstatements in the Performance and Accountability Reports. 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
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; 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.

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 in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;

- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- assessing the Wales Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Wales Office will not continue to be provided in the future.

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.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. 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.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Wales Office's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Wales Office's policies and procedures relating to:
 - Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Wales Office's controls relating to the Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2020 and Managing Public Money.
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of

fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and significant accounting estimates; and

- obtaining an understanding of Wales Office's framework of authority as well as other legal and regulatory frameworks that the Wales Office operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Wales Office. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Supply and Appropriation (Main Estimates) Act 2020, Managing Public Money, Employment Law and tax legislation.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

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

intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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.

Report

I have no observations to make on these financial statements.

Gareth Davies
Comptroller and Auditor General

7th July 2021

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 2021

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.

		2020-21	2019-20
		Core Department	Core Department
	Note	£000	£000
Income	3	(117)	(112)
Total operating income		(117)	(112)
Staff Costs	2	3,407	3,177
Accommodation, maintenance and utilities	2	507	519
Depreciation	2	163	157
Other operating expenditure	2	721	1,145
Payover to the Welsh Consolidated Fund	2	21,800,257	15,337,546
Lord Lieutenants' expenses	2	9	38
NLF interest payable		2,474	2,394
NLF interest receivable		(2,474)	(2,394)
Total operating expenditure		21,805,064	15,342,582
Net operating expenditure		21,804,947	15,342,470
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net operating costs:			
Net (gain) / loss on revaluation of Property, Plant and Equipment		212	81
Comprehensive Net Expenditure for the year		21,805,159	15,342,551

All income and expenditure relate to continuing activities.

The notes on pages 83 to 100 form part of these accounts

Statement of Financial Position As at 31 March 2021

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

	Note	<u>31 March 2021</u> £000	<u>31 March 2020</u> £000
Non-current assets:			
Property, plant and equipment	4	5,148	5,455
Financial assets	8	70,085	72,502
Total non-current assets		<u>75,233</u>	<u>77,957</u>
Current assets:			
Trade and other receivables	9	2,868	2,883
Cash and cash equivalents	6	80	37
Total current assets		<u>2,948</u>	<u>2,920</u>
Total Assets		<u>78,181</u>	<u>80,877</u>
Current liabilities			
Trade and other payables	10	(3,665)	(3,609)
Provisions	11	(299)	-
Total current liabilities		<u>(3,964)</u>	<u>(3,609)</u>
Assets less net current liabilities		<u>74,217</u>	<u>77,268</u>
Non-current liabilities			
Provisions	11	-	(296)
Financial liabilities	10	(70,085)	(72,502)
Total non-current liabilities		<u>(70,085)</u>	<u>(72,798)</u>
Assets less liabilities		<u>4,132</u>	<u>4,470</u>
Taxpayers' equity:			
General fund		527	612
Revaluation reserve		3,605	3,858
Total equity		<u>4,132</u>	<u>4,470</u>

The notes on pages 83 to 100 form part of these accounts



Glynne Jones CBE
Accounting Officer

6th July 2021

Statement of Cash Flows For the year ended 31 March 2021

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	2020-21 £000	2019-20 £000
Cash flows from operating activities			
Net operating expenditure	SOCNE	(21,804,947)	(15,342,470)
Adjustments for non-cash transactions	2	208	431
(Increase)/Decrease in trade and other receivables	9	15	(1,227)
<i>Less: Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i> ¹	9	47	1,251
Increase/(Decrease) in trade and other payables	10	(2,361)	(1,112)
<i>Less: Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i> ¹	10	2,327	1,132
Net cash outflow from operating activities		<u>(21,804,711)</u>	<u>(15,341,995)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(78)	(45)
Loan repayments from other bodies (capital)	9	2,362	1,228
Loan repayments from other bodies (interest)	SOCNE	2,474	2,394
Net cash inflow from investing activities		<u>4,758</u>	<u>3,577</u>
Cash flows from financing activities			
From the Consolidated Fund (Supply) - Current Year ²		21,804,832	15,342,016
From the Consolidated Fund (Supply) - Prior year		4,656,557	-
Advances from the Contingencies Fund		(4,656,557)	-
Repayments to the Contingencies Fund		(2,362)	(1,228)
Repayment of loans from the NLF (capital) ³	10	(2,474)	(2,394)
Repayment of loans from the NLF (interest) ³	SOCNE	(2,474)	(2,394)
Net financing		<u>21,799,996</u>	<u>15,338,394</u>
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
	6	43	(24)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		28,510	47,686
Payments of amounts due to the Consolidated Fund ⁴		<u>(28,510)</u>	<u>(47,686)</u>
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund			
	6	<u>43</u>	<u>(24)</u>
Cash and cash equivalents at the beginning of the period	6	<u>37</u>	<u>61</u>
Cash and cash equivalents at the end of the period	6	<u>80</u>	<u>37</u>

The notes on pages 83 to 100 form part of these accounts

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

Statement of Changes in Taxpayers Equity For the year ended 31 March 2021

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

		General Fund	Revaluation Reserve	Total Taxpayers' Equity
	Note	£000	£000	£000
Balance at 1 April 2019		975	3,978	4,953
Net Parliamentary Funding				
- Drawn down		15,342,016	-	15,342,016
- Deemed	10	61	-	61
Unspent Supply drawn down repayable to the Consolidated Fund	10	(37)	-	(37)
CFERs payable to the Consolidated Fund		-	-	-
Comprehensive Net Expenditure for the year	SOCNE	(15,342,470)	-	(15,342,470)
Non-cash charges				
Auditor's remuneration	2	31	-	31
Other Reserve Movements				
- Property, Plant & Equipment		-	(81)	(81)
- Other		(3)	-	(3)
Movements in Reserves				
- Transfers between reserves		39	(39)	-
Balance at 31 March 2020		612	3,858	4,470
Balance at 1 April 2020		612	3,858	4,470
Net Parliamentary Funding				
- Drawn down	SCF	21,804,832	-	21,804,832
- Deemed	10	37	-	37
Unspent Supply drawn down repayable to the Consolidated Fund	10	(80)	-	(80)
CFERs payable to the Consolidated Fund		-	-	-
Comprehensive Net Expenditure for the year	SOCNE	(21,804,947)	-	(21,804,947)
Non-cash charges				
Auditor's remuneration	2	32	-	32
Other Reserve Movements				
- Property, Plant and Equipment		-	(212)	(212)
- Other		-	-	-
Movements in Reserves				
- Transfers between reserves		41	(41)	-
Balance at 31 March 2021		527	3,605	4,132

The notes on pages 83 to 100 form part of these accounts

Notes to the Accounts for the year ended 31 March 2021

1a) Statement of accounting policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2020-21 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 Going concern

In common with other Government departments, the future financing of the department's liabilities is to be met by future grants of Supply and the application of future income, both to be approved annually by Parliament. The Department considers there is no reason to believe that future approvals will not be forthcoming.

The going concern basis of accounting for the department is adopted in consideration of the requirements set out in HM Treasury's Government Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future. For the above reasons it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.3 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.

1.4 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.

1.5 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 have previously undertaken by the Valuation Office Agency (VOA) using the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual, known as the 'Red Book'. In 2020-21 Montague Evans (ME) were commissioned by the Government Property Agency (GPA) to undertake a physical valuation of Gywydr House as part of the Government transfer of freehold properties to GPA.

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 Producer Price Index 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.. 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.

1.6 Assets under construction

Assets under construction are valued at historical cost within property, plant and equipment and Intangible assets and are not depreciated or amortised. An asset ceases to be classified as an asset under construction when it is ready for use. Its carrying value is then removed from assets under construction and transferred to the respective asset category. Depreciation or amortisation is then charged on the asset in accordance with the stated accounting policy.

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

1.7 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.

1.8 Investments

National Loans Fund (NLF)

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

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

1.9 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 if material.

1.10 Operating income

Operating income includes both income appropriated in aid to offset related expenditure and income that is surrendered on receipt to the Consolidated Fund as Extra Receipts (CFER's).

The Department's revenue is rental income received from other Government Departments for shared space in our London and Cardiff Offices.

The rental income identified above is recognised in line with IAS 17 (leases) rather than IFRS 15 in line with the requirements of IFRS.

1.11 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.

1.12 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.

1.13 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.

1.14 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.

1.15 Financial instruments

IFRS 9 requires an entity to recognise a financial asset or a financial liability in its Statement of Financial Position when it becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities which arise from contracts for the purchase and sale of non-financial items (such as goods or services), which are entered into in accordance with the Wales Office's normal purchase, sale or usage requirement, are recognised when, and to the extent to which, performance occurs. All other financial assets and liabilities are recognised when the Wales Office becomes party to the contractual provisions to receive or make cash payments. Financial liabilities are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Financial Assets

Loans and receivables

Loans and receivables comprise trade receivables, other receivables and loans that have fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method net of any impairment. Interest is recognised by applying the effective interest rate. The effective interest rate is a method of calculating the amortised cost of a financial asset and of allocating the interest revenue or expense over the relevant period using the estimated future cash flows.

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

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

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

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.

Financial Liabilities

Trade and other payables

Financial liabilities within trade and other payables are recognised at fair value, which is usually the original invoiced amount.

Loans and other borrowings

Loans and other borrowings are initially recognised at fair value plus directly attributable transaction costs.

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.

Revaluation of Property, Plant and Equipment (Land and Buildings)

In 2020-21 as part of the Government wide transfer of Freehold properties to the Government Property Agency (GPA), the GPA commissioned Montague Evans (ME) to undertake a physical valuation of Gwydyr House as at 31st March 2021. In previous years the Valuation Office Agency (VOA) had undertaken the valuation. The methodology undertaken by ME was different to the VOA with the net internal area calculated and land and building split being assessed differently. This has resulted in land decreasing and building increasing in value as at 31st March 2021.

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 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 will be applied in central government from 1st April 2022.

The Office expects IFRS 16 to have a material impact on future accounts as we bring future operating leases with the Government Property Agency (GPA) for our London Office and HM Revenue and Customs (HMRC) for our Cardiff Office onto the Statement of Financial Position. It is not yet possible to quantify this impact.

IFRS 17 – Insurance contracts replaces IFRS 4 of the same name. The new standard will apply more standardised and rigorous requirements on accounting for insurance contracts. The new standard sets clearer expectations on the recognition, classification and measurement of assets and liabilities in relation to insurance contracts. The implementation of IFRS 17 is not planned until 2022, and HM Treasury are already considering its application to the public sector. It is expected that IFRS 17 will be applied in central Government from 2022-23.

IFRS 17 will have no impact on future Wales Office accounts.

2. Expenditure

	<u>31 March 2021</u>	<u>31 March 2020</u>
	<u>£000</u>	<u>£000</u>
*Staff Costs:		
Wages and Salaries	2,629	2,518
Social Security Costs	230	195
Other Pension Costs	548	464
Goods and Services:		
Accommodation, maintenance and utilities	507	519
**Communications, office supplies and services	158	32
Rentals under operating leases: land and buildings	223	186
Official cars hire	28	80
IT services & telecommunications (non-service concession arrangements)	48	64
Other contracted out services	15	17
Professional services	19	43
Travel and subsistence	20	208
Training and other staff related costs	5	41
Bank fees and charges	3	3
Other administration expenditure	3	12
Events and Conferences	-	31
Allocation of overheads	154	154
Lord Lieutenants' expenses	9	38
Non-cash items		
Depreciation	163	157
Revaluation	5	-
Write off of Property, Plant and Equipment	5	-
Auditors' remuneration and expenses	32	31
Net change in Provision	3	243
Welsh Consolidated Fund		
Payover to the Welsh Consolidated Fund	21,800,257	15,337,546
Total Operating Expenditure	<u>21,805,064</u>	<u>15,342,582</u>

* Further analysis of staff costs is located in the Accountability Report (page 56).

** Communications, office supplies and services costs for 2020-21 include costs for COVID 19 and EU transition communications campaigns in Wales.

3. Income

	<u>31 March 2021</u>	<u>31 March 2020</u>
	<u>£000</u>	<u>£000</u>
Income		
Rental income	117	112
Total Income	<u>117</u>	<u>112</u>

4. Property, Plant and Equipment

	Freehold Land	Freehold Buildings	Information Technology	Plant & Equipment	Furniture & Fittings	Total
	£000	£000	£000	£000	£000	£000
2020-21						
Cost or valuation						
At 1 April 2020	3,251	2,079	35	232	296	5,893
Additions	-	-	-	78	-	78
Disposals	-	-	-	(183)	-	(183)
Revaluations	(1,251)	921	-	(9)	1	(338)
At 31 March 2021	2,000	3,000	35	118	297	5,450
Depreciation						
At 1 April 2020	-	-	(8)	(204)	(226)	(438)
Charged in year	-	(118)	(5)	(16)	(24)	(163)
Disposals	-	-	-	178	-	178
Revaluations	-	118	-	3	-	121
At 31 March 2021	-	-	(13)	(39)	(250)	(302)
Net book value at 31 March 2021	2,000	3,000	22	79	47	5,148
Net book value at 1 April 2020	3,251	2,079	27	28	70	5,455
All assets are owned by the Wales Office	2,000	3,000	23	79	47	5,148

Professional valuations of land and buildings, which all relate to Gwydyr House, are undertaken by qualified chartered surveyors who are independent of the Office. In 2020-21 as part of the Government wide transfer of Freehold properties to the Government Property Agency (GPA), the GPA commissioned Montague Evans (ME) to undertake a physical valuation of Gwydyr House as at 31st March 2021. In previous years the Valuation Office Agency (VOA) had undertaken the valuation. The valuation methodology undertaken by ME was different to the VOA with the land and building split being assessed as 40% to 60% compared to 61% to 39%. This has resulted in land decreasing and building increasing in value as at 31st March 2021. Assurances over the ME valuation has been provided by the GPA and their external auditors.

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.

4.a Property, Plant and Equipment

	Freehold Land	Freehold Buildings	Information Technology	Plant & Equipment	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000
2019-20							
Cost or valuation							
At 1 April 2019	3,343	2,137	35	209	298	18	6,040
Additions	-	45	-	-	-	-	45
Revaluations	(92)	(103)	-	5	(2)	-	(192)
Reclassifications	-	-	-	18	-	(18)	-
At 31 March 2020	3,251	2,079	35	232	296	-	5,893
Depreciation							
At 1 April 2019	-	-	(3)	(185)	(204)	-	(392)
Charged in year	-	(113)	(5)	(15)	(24)	-	(157)
Revaluations	-	113	-	(4)	2	-	111
At 31 March 2020	-	-	(8)	(204)	(226)	-	(438)
Net book value at 31 March 2020	3,251	2,079	27	28	70	-	5,455
Net book value at 1 April 2019	3,343	2,137	32	24	94	18	5,648
All assets are owned by the Wales Office	3,251	2,079	27	28	70	-	5,455

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 2020* 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.

* As at 31st March 2020, the VOA has declared a 'material valuation uncertainty' in their valuation report for Land and Buildings. This is on the basis of uncertainties in markets caused by COVID-19. The values in the report have been used to inform the measurement of property assets in these financial statements. Having declared this material valuation uncertainty, the VOA has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Wales Office.

5. Capital and other Commitments

5.1 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 2021</u>	<u>31 March 2020</u>
	<u>£000</u>	<u>£000</u>
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	90	90
Later than one year but not later than five years	1	91
Later than five years	-	-
Total	<u>91</u>	<u>181</u>

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

6. Cash and cash equivalents

	<u>31 March 2021</u>	<u>31 March 2020</u>
	<u>£000</u>	<u>£000</u>
Balance at 1 April 2020	37	61
Net change in cash and cash equivalents	43	(24)
Balance as at 31 March 2021	80	37

All balances were held with the Government Banking Service.

7. Financial Instruments

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

8. Investments and Loans in Other Public Sector Bodies

	<u>Loans funded from National Loans Fund</u>
	<u>£000</u>
Cost or valuation	
At 1 April 2019	74,864
Loans repayable within 12 months transferred to receivables	(2,362)
At 1 April 2020	72,502
Loans repayable within 12 months transferred to receivables	(2,417)
Balance at 31 March 2021	70,085

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

9. Trade Receivables and other current assets

	<u>31 March 2021</u>	<u>31 March 2020</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Trade receivables	75	126
VAT receivables	40	37
Deposits and advances	19	26
Other receivables	18	19
Prepayments and accrued income	35	41
Current part of NLF loan – interest receivable	264	272
Current part of NLF loan – capital	2,417	2,362
Total receivables	<u>2,868</u>	<u>2,883</u>

There are no amounts falling due after more than one year.

10. Trade Payables and other current liabilities

	<u>31 March 2021</u>	<u>31 March 2020</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Other taxation and social security	118	108
Trade payables	14	11
Other payables	279	90
Accruals	493	729
Current part of NLF loan – capital	2,417	2,362
Current part of NLF loan – interest payable	264	272
Amounts issued from the Consolidated Fund for supply but not spent at year end	80	37
Total payables	<u>3,665</u>	<u>3,609</u>
	<u>31 March 2021</u>	<u>31 March 2020</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due after more than one year:		
NLF loans	70,085	72,502
Total payables	<u>70,085</u>	<u>72,502</u>

11. Provisions for Liabilities and Charges

	Leasehold Dilapidation Costs	Onerous Lease Costs	Total
	£000	£000	£000
Balance as at 1 April 2019	53	-	53
Provided in year	8	235	243
Balance as at 1 April 2020	61	235	296
Provided in year	59	-	59
Provision written back	-	(56)	(56)
Balance as at 31 March 2021	120	179	299

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

The onerous lease provision relates to potential costs arising from an early surrender of the Cardiff Office lease, as a consequence of the Departments planned move to the new UK Government Hub in Cardiff.

11.1 Analysis of expected timing of discounted flows

	Leasehold Dilapidation 2020-21	Onerous Lease Costs 2020-21
	£000	£000
Not later than one year	120	179
Later than one year and not later than five years	-	-
Later than five years	-	-
Balance at 31 March 2021	120	179

	Leasehold Dilapidation 2019-20	Onerous Lease Costs 2019-20
	£000	£000
Not later than one year	-	-
Later than one year and not later than five years	61	235
Later than five years	-	-
Balance at 31 March 2020	61	235

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 is 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.

With effect from the 1st April 2021, the Office entered into agreement with the Government Property Agency (GPA) an executive agency of the Cabinet Office to transfer the legal ownership of our freehold building and associated land. The value of the transfer was £5m.

Whilst disruptive to the country as a whole the international Covid 19 pandemic has had no direct adverse impact to date on the Wales Office.

Appendix 1: Public Expenditure Core Financial Tables

TABLE 1

Spending by Wales Office & Welsh Government 2015-16 to 2021-22							
	2015-16 Outturn £000	2016-17 Outturn £000	2017-18 Outturn £000	2018-19 Outturn £000	2019-20 Outturn £000	2020-21 Plans £000	2020-21 Outturn (7) £000
Wales Office Expenditure							
Resource expenditure within Administration Costs	3,937	4,350	4,627	4,450	4,486	4,868	4,406
Other resource expenditure	54	163	178	183	195	451	276
Wales Office Resource (2)	3,991	4,513	4,805	4,633	4,681	5,319	4,682
Wales Office Capital	45	0	73	17	45	80	73
Wales Office Resource + Capital DEL (2)	4,036	4,513	4,878	4,650	4,726	5,399	4,755
<i>less depreciation & impairments</i>	<i>-100</i>	<i>-109</i>	<i>-126</i>	<i>-141</i>	<i>-157</i>	<i>-175</i>	<i>-163</i>
Wales Office DEL (3)	3,936	4,404	4,752	4,509	4,569	5,224	4,592
Welsh Government Expenditure (The Welsh Block) (6)							
Resource (6)	13,328,943	13,325,208	14,001,757	14,010,896	12,858,683	19,460,945	18,686,426
Capital	1,542,658	1,449,083	1,821,285	2,036,807	2,131,160	3,151,264	3,271,607
Total Resource + Capital	14,871,601	14,774,291	15,823,042	16,047,703	14,989,843	22,612,209	21,958,033
<i>less depreciation & impairments</i>	<i>-513,710</i>	<i>-253,397</i>	<i>-708,262</i>	<i>-703,761</i>	<i>-768,478</i>	<i>-1,537,014</i>	<i>-982,890</i>
Welsh Government DEL (3)(6)	14,357,891	14,520,894	15,114,780	15,343,942	14,221,365	21,075,195	20,975,143

(1) Totals may not sum due to roundings.

(2) Including depreciation & impairments.

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

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

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

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

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

(8) From 2018-19 onwards the Welsh Government Resource Budget is adjusted downwards in relation to tax devolution, with the Welsh Government instead retaining revenues from devolved taxes.

TABLE 2**Cash grant paid to the Welsh Consolidated Fund 2019-20:
Provision & Final Outturn**

	Original Provision £000	Final Provision £000	Final Outturn £000
Expenditure Classified as DEL⁽²⁾	14,709,623	15,343,782	14,989,843
Expenditure Classified as AME	869,119	1,216,397	967,624
Expenditure Financed by Welsh Taxes	2,358,000	2,356,819	2,356,207
Expenditure Financed by Capital Borrowing	125,000	0	0
Non Domestic Rates	1,061,000	1,061,000	1,061,000
Total Managed Expenditure	19,122,742	19,977,998	19,374,674
Less:			
<i>Non Voted expenditure:</i>			
LA Credit Approvals	88,800	88,800	88,800
Other Non-Voted	6,078	6,078	6,078
<i>Wales Act 2014 Transactions:</i>			
Income from Welsh taxes:			
Income Tax	2,059,000	2,059,000	2,059,000
Land Transaction Tax	256,000	259,819	260,281
Landfill Disposal Tax	43,000	38,000	36,926
Repayment of principle of loans	(2,273)	(1,228)	(1,228)
Capital Borrowing	125,000	0	0
<i>Non-Cash:</i>			
Resource Ringfenced Non Cash	690,064	975,129	768,478
AME Non-cash	69,723	382,279	133,256
TOTAL NON VOTED TME	3,335,392	3,807,877	3,351,591
TOTAL VOTED TME	15,787,350	16,170,121	16,023,083
Voted receipts			
Contributions from the National Insurance Fund	1,275,112	1,290,129	1,290,129
NDR Receipts	1,068,904	1,104,668	1,104,668
Timing Adjustments			
Increase / Decrease in Debtors & Creditors	0	73,276	(353,219)
Use of Provisions	0	0	45
Movements in balance on consolidated fund	0	0	3,434
Cash Grant payable to Welsh Consolidated Fund by Wales Office⁽³⁾	13,443,334	13,848,600	13,278,546
<i>Welsh Rate of Income Tax</i>	2,059,000	2,059,000	2,059,000
Total cash requirement including Welsh Rate of Income Tax	15,502,334	15,907,600	15,337,546

Notes

(1) Totals may not sum due to roundings.

(2) Resource and capital DEL including depreciation.

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

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

TABLE 3**Cash grant paid to the Welsh Consolidated Fund 2020-21:
Provision & Provisional Outturn**

	Original Provision £000	Final Provision £000	Provisional Outturn £000
Expenditure Classified as DEL⁽²⁾	17,805,901	22,612,209	21,958,033
Expenditure Classified as AME	1,021,289	1,219,795	1,027,085
Expenditure Financed by Welsh Taxes	2,455,467	2,374,312	2,374,312
Expenditure Financed by Capital Borrowing	125,000	125,000	0
Non Domestic Rates	1,136,000	804,000	692,000
Total Managed Expenditure	22,543,657	27,135,316	26,051,430
Less:			
<i>Non Voted expenditure:</i>			
LA Credit Approvals	88,800	88,800	88,800
Other Non-Voted	6,078	6,078	6,078
<i>Wales Act 2014 Transactions:</i>			
Income from Welsh taxes:			
Income Tax	2,169,668	2,169,668	2,169,668
Land Transaction Tax	254,008	176,457	176,457
Landfill Disposal Tax	34,153	28,187	28,187
Repayment of principal of loans	(2,362)	(2,362)	(2,362)
Capital Borrowing	125,000	125,000	0
<i>Non-Cash:</i>			
Resource Ringfenced Non Cash	688,713	1,537,013	982,890
AME Non-cash	333,950	483,364	115,103
TOTAL NON VOTED TME	3,698,008	4,612,205	3,564,821
TOTAL VOTED TME	18,845,649	22,523,111	22,486,609
Voted receipts			
Contributions from the National Insurance Fund	1,327,527	1,279,682	1,279,682
NDR Receipts	1,087,533	1,112,494	699,021
Timing Adjustments			
Increase / Decrease in Debtors & Creditors	0	0	(877,317)
Use of Provisions	0	0	0
Carry forward of DEL budget cover into 2021-22 ⁽⁴⁾	0	660,218	0
Cash Grant payable to Welsh Consolidated Fund by Wales Office	16,430,589	20,791,153	19,630,589
<i>Welsh Rate of Income Tax</i>	<i>2,169,668</i>	<i>2,169,668</i>	<i>2,169,668</i>
Total cash requirement including Welsh Rate of Income Tax	18,600,257	22,960,821	21,800,257

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.

(4) The Final Provision for the Cash Grant reflects the Welsh Government's wish to carry forward £660.218m of DEL funding into 2021-22 on top of their existing facilities to transfer funding between financial years. This was permitted in recognition of the exceptional circumstances that took place in 2020-21.

TABLE 4**Calculation of Cash Grant Payable to Welsh Consolidated Fund 2020-21**

	2021-22
	£000
Expenditure Classified as DEL (Block Grant) ⁽²⁾	20,367,193
Expenditure Classified as AME	1,146,810
Expenditure Financed by Welsh Taxes	2,325,370
Expenditure Financed by Capital Borrowing	150,000
Expenditure Financed by Non Domestic Rates	1,101,000
Total Managed Expenditure	25,090,373
<i>Less:</i>	
<i>Non Voted expenditure:</i>	
Supported Borrowing by Welsh Local Authorities	88,800
Collection costs for the NI Contributions and Non Domestic Rates	6,078
<i>Wales Act 2016 Transactions:</i>	
Income from Welsh taxes:	
Income Tax	2,064,061
Land Transaction Tax	230,998
Landfill Disposal Tax	32,728
Repayment of principal of loans	(2,417)
Capital Borrowing	150,000
Resource Ringfenced Non Cash	1,519,960
AME Non-cash	366,605
Sub-Total	4,456,813
TOTAL SUPPLY EXPENDITURE	20,633,560
Less receipts	
Contributions from the National Insurance Fund	1,313,819
NDR Receipts	1,069,958
Cash Grant payable to Welsh Consolidated Fund by Wales Office	18,249,783
<i>Welsh Rate of Income Tax</i>	<i>2,064,061</i>
Total cash requirement including Welsh Rate of Income Tax	20,313,844

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

