



UK Government
Llywodraeth y DU

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

Annual Report and Accounts 2021-22



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(For the year ended 31 March 2022)

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

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

Ordered by the House of Commons to be printed

18 July 2022

HC 295

This is part of a series of Departmental publications which, along with the Main Estimates 2022-23, the document Public Expenditure: Statistical Analyses 2021, and the Supply Estimates 2021-22: Supplementary Budgetary Information, present the Government's outturn for 2021-22 and planned expenditure for 2022-23.



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ISBN 978-1-5286-3485-4

E02761218 07/22

Printed on paper containing 75% recycled fibre content minimum

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

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1 The Performance Report

Ministerial Foreword

It is an honour and a privilege to have been appointed as Secretary of State for Wales. As a Welshman born and bred, and who lived and worked in Wales for many years, I know just how important my new role is in championing Wales at the Cabinet table and delivering the Government's programme for jobs and economic growth in Wales.

This Annual Report demonstrates the firm foundation on which I intend to build. Working on Wales' future energy infrastructure with a view to a quadruple win – good for jobs, for easing cost of living pressures, for long-term energy security, and for our commitment to Net Zero. Working with the Crown Estate to drive forward seabed leasing for offshore wind in the Celtic Sea and working to maximise Wales's potential for nuclear power - in keeping with our goal of up to a quarter of Great Britain's power from that source by 2050.

Looking further afield, Wales has the potential to reach out to new and developing markets across the globe, taking advantage of the United Kingdom's new trade deals and the vast new market available to Welsh farmers following the lifting of the United States ban on UK lamb.

Levelling up and strengthening the Union are key strategic aims of this Government - and our Office's *raison d'être* is a flourishing Wales within a strong United Kingdom. Local Authorities are being empowered through our UK Levelling Up Fund of £4.8 billion, which is currently in its second bidding round. My Office works with local authorities and other partners to guide them through this direct investment process, as well as the £220 million Community Renewal Fund and the £585 million Shared Prosperity Fund, which replaces previous EU funding. The Wales Office works closely with UK Government departments and our partners in Wales to deliver our mission to level up the UK by 2030.

These are only some examples of the work that my Office carries out across Whitehall to ensure Wales gets the maximum benefit from policy-making and to tailor policies that are the right fit for Wales by co-ordinating with the Welsh Government and our partners the length and breadth of Wales.

I am greatly looking forward to working from the Government's new Hub in Cardiff – Tŷ William Morgan. The Hub provides a base for many UK Government departments working in Wales as part of our Places or Growth programme, including a new Department for International Trade team for Wales and Department for Levelling Up, Housing and Communities Wales team. We will work hand in hand with these teams to help increase Welsh exports and find

Brexit opportunities - one of which is our pledge for at least one freeport in Wales. I look forward to reviewing some no-doubt strong bids.

We continue to take action to turbocharge Wales's economy - whether that is Project Gigabit, securing investment to grow the industries of the future and put Wales at the cutting-edge of a net zero economy, or supporting traditional sectors that are critical to the Welsh economy, such as agriculture, tourism, and hospitality.

I would like to thank my officials and my Ministerial team - David TC Davies MP and Baroness Bloomfield - I have support, enthusiasm, and nuclear levels of energy behind me in promoting Wales' best interests. Finally, I would like to thank my predecessor, the Rt Hon. Simon Hart MP. This report is testament to his hard work and dedication to Wales.

Rt Hon Sir Robert Buckland KBE QC MP
Secretary of State for Wales

Director's Introduction

In my introduction to last year's Annual Report, I spoke of developments that heralded a new and exciting chapter for the United Kingdom Government in Wales. Despite the continued challenges brought by the COVID-19 pandemic, this year saw those developments being built upon in a number of areas, for example the progress we are making on freeports, in the energy sector on nuclear and floating offshore wind and the US lifting of its lamb ban. Wales's success in Community Renewal Fund bids and the first round of the Levelling Up Fund offer further reasons for optimism for the future.

The Wales Office has once again been at the heart of the Government's efforts and activity in Wales. We helped shape the Levelling Up White Paper and Shared Prosperity Fund, ensuring that Wales's interests were fully represented, and we set out our ambitions and priorities in the first ever published Plan for Wales and our Outcome Delivery Plan. But this is very much a whole of Government endeavour and Tŷ William Morgan – the new UK Government hub in Cardiff – along with commitments from eleven departments to expand their numbers in Wales demonstrates the Government's determination to be a strong and visible presence. Our relations with local authorities, businesses, universities and the third sector are better than ever, and our growing presence means that there is now breadth as well as depth to those relationships.

As ever, none of this would have been possible without the leadership of our Secretary of State and his Ministerial team and the extraordinary contribution of colleagues across the department. The fact that we achieved a record score this year in our People Survey and were assessed as an established smarter working organisation speaks volumes not just for what we delivered but how we delivered it. I could not wish for a better team to work with.

Glynne Jones CBE
Director

Departmental Overview

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

The Wales Office ('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.

The Office has three strategic priorities:

Priority 1 – Supporting Economic Growth in Wales

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

i. Working with other UKG departments, Welsh Government, and partners to ensure City and Growth Deals deliver on their plans.

The Wales Office leads for the UK Government on the four City and Growth Deals in Wales and worked very closely during 2021-22 with the Welsh Government and our regional partners to ensure the Deals are on track to deliver successfully.

The Wales City and Growth Deal Implementation Board, co-chaired by senior officials in the Wales Office and the Welsh Government met quarterly during the year to review the progress of each Deal against performance milestones and identify the key risks to delivery. At each Board meeting the regional partners from one of the Deals presented on progress, enabling discussion on key issues. Wales Office officials also represented the UK Government at regular meetings of the programme boards of each of the Deals.

The Wales Office officials also engaged with each of the regions' Portfolio Management Offices, both formally and informally, on a regular basis. This positive engagement enabled the Office's Regional Growth Team to build an increasingly fruitful and positive relationship with our regional partners during the year.

Swansea Bay City Deal (SBCD)

The Office worked with lead UK Government departments and the Welsh Government to ensure Ministerial approval of five projects during the year. SBCD is now in the delivery phase on all the projects and programmes within its portfolio, with Ministers approving the final project in December.

Throughout the year the Office supported Minister Davies in engaging with project delivery teams and project beneficiaries through numerous site visits

and engagements (both virtual and actual). This engagement has done much to build rapport and a sense of shared endeavour between the Office and our regional partners.

In March, the Minister spoke at a SBCD Showcase event organised in Llanelli to celebrate the Deal entering full delivery phase. On the same day, the Minister attended the opening of the Swansea Arena, part of SBCD's City and Waterfront District project. The innovative and striking new arena provides a home for concerts and events in Swansea city centre, creating jobs and attracting footfall into the area.

North Wales Growth Deal (NWGD)

The Office worked with NWGD to support the region in developing full business cases for its more mature projects. The first of these, the Digital Signal Processing Centre project, in Bangor, received full business case approval (by the region) in December. Procurement of the equipment for this project is now underway, and work continues towards its delivery in summer 2022.

The Office has continued to support the development of the other project and programme business cases within the portfolio, providing advice and guidance and sharing good practice from other regional growth deals across the UK.

In May, the Minister visited several of the planned project sites within the region and met formally with stakeholders engaged in the portfolio. This visit enabled the Minister to better understand the planned project outcomes and benefits that are directly attributable to UK government investment in the region.

Cardiff Capital Region City Deal (CCR)

During summer 2021, the Office worked with regional partners and HM Treasury to reprofile UK Government funding for the City Deal. The reprofiling, announced at Spending Review 2021, has resulted in an acceleration of UK Government funding for the Cardiff Capital Region, with £105m brought forward to support the delivery of the region's ambitious plans.

In March, CCR completed the acquisition of the former Aberthaw power station. CCR has committed £36.4m to the project, with an £8m purchase price for the site, and the remaining amount being used for demolition, remediation, and re-development. The site has the potential to create 5000 jobs within the region longer-term as a green energy park.

The CCR Deal has now invested in thirteen projects and programmes, all contributing towards the goal of creating a resilient, competitive, and connected region of the future.

Mid Wales Growth Deal (MWGD)

The Office worked closely with regional partners and the Welsh Government to enable the Final Deal Agreement (FDA) for Mid Wales to be signed in January

2022. The FDA was signed at a virtual event attended by Minister Davies, Welsh Minister Gethin and the leaders of Powys and Ceredigion councils.

The signing enables the MWGD to develop its plans for programmes and projects to deliver the economic and social benefits outlined in the FDA, and to embed its governance structures for the Deal.

The MWGD has prioritised five strategic growth areas for development within the portfolio; Applied Research and Innovation, Agriculture, Food and Drink, Digital, A Strengthened Tourism Offer and Supporting Enterprise. Project delivery within each of these targeted areas is expected to begin from 2023 onwards.

ii. Advocating funds for local growth that promote jobs and growth in Wales and support government plans to level up in Wales

At the March Budget 2021, the Chancellor of the Exchequer announced a suite of new investment programmes to promote economic growth and level up communities across the UK. These new local growth funds included the UK Community Renewal Fund (UKCRF), the Levelling Up Fund (LUF) and the Community Ownership Fund (COF). The Office worked closely with DLUHC and other Government departments to support the successful delivery of these new funds and ensure they achieve their objectives in Wales.

Following the launch of these new funds, the Secretary of State¹ hosted a series of meetings with stakeholders including Members of Parliament and local authority leaders to discuss how the impact of the new funding streams could be maximised in Wales and how interested parties should engage in the process.

The Office contributed to the assessment of over 200 applications that were received from Wales for rounds one of LUF and COF and for UKCRF. Officials contributed to assessments of the strategic fit and deliverability of each from Wales as part of a Whitehall-wide assessment process. The Office was represented on Whitehall-wide delivery boards for the LUF and UKCRF.

The Office reviewed and commented on 193 UKCRF applications, 23 LUF applications and 10 COF applications. Officials were also involved in the moderation of applications, which took place inter-departmentally. These assessments advised Wales Office Ministers in their assessment of bids at the final shortlisting stage for all three funds². Wales performed well in all three funds, receiving above its population share in funding.

¹ All references in this report to the Secretary of State for Wales refer to the Rt. Hon Simon Hart MP who was Secretary of State to the 6th July 2022.

² Final decisions on successful UKCRF and COF projects were taken by the Secretary of State for Levelling Up, Housing & Communities. Final decisions on successful LUF projects were taken by Ministers from DLUHC, DfT and HMT in line with the LUF prospectus.

Local Growth Funds – Wales				
Fund	Applications Reviewed	Successful Applications	Value	Share of UK Total
UKCRF	193	165	£46.8 million	23%
LUF Round 1	23	10	£121 million	7%
COF Round1	10	3	£460,000	9%

Source

<https://www.gov.uk/government/publications/levelling-up-fund-first-round-successful-bidders>

<https://www.gov.uk/government/publications/uk-community-renewal-fund-successful-bids>

<https://www.gov.uk/guidance/community-ownership-fund-first-round-successful-bidders>

Successful applications for each of the funds were announced in October. Following the announcement, the Office contributed to lessons learned exercises with counterparts in DLUHC as we prepare for the second round of the COF and LUF. Officials continue to work closely with DLUHC Wales Area Team to engage with local authorities in Wales on delivery of successful projects and providing feedback on unsuccessful applications.

The Secretary of State for Wales undertook a number of visits to successful LUF and UKCRF projects in Wales during the year. In October, the Secretary of State visited the Muni Arts Centre in Pontypridd which secured £5.3 million through LUF and a £16.7 million project in Carmarthenshire which will see the creation of a world-class off-road walking and cycling route in the Tywi Valley.

In November, the Secretary of State for Wales and the Secretary of State for Levelling Up, Housing and Communities visited Cyfarthfa Castle and Art Gallery in Merthyr Tydfil to hear at first hand the successful UKCRF bid for the Creative Industry Programme, awarded over £1 million in UKCRF, and Cyfarthfa Greenhouses, to discuss community-led environmental initiatives (part of the Merthyr Roots project) which secured over £170,000 in UKCRF. They also undertook a joint visit to the Muni Arts Centre as part of their engagement with local areas in Wales.

In December, the Secretary of State visited sites in north Wales which are receiving more than £13 million in the LUF funding to boost tourism and improve facilities for visitors at the Pontcysyllte Aqueduct World Heritage site in the Dee Valley.

Throughout the year the Office has continued to engage with colleagues across Government to ensure that the needs of Wales are fully considered in the development of the UK Shared Prosperity Fund (UKSPF), the domestic successor to the European Regional Development Fund and the European Social Fund and a core element of the Government’s levelling up ambitions. Ministers and officials worked closely with their counterparts in other government departments to ensure that the Fund delivers its intended outcomes for Wales and a smooth transition away from EU Structural Funds.

In February, the Office engaged closely with DLUHC and other government departments on the publication of the Pre-Launch Guidance for the UKSPF. The Pre-Launch Guidance was a key publication setting out in strategic terms how the Fund will operate, and acting as a precursor to the full prospectus, published later in the year.

The Office has also worked closely with the Department for Education (DfE) to ensure delivery of the Turing Scheme 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, and the first students benefitted from the pilot scheme in September 2021. Following the launch, the Office continued to work to ensure Wales benefits fully from the Turing Scheme and that Welsh students can make the most of the opportunities it offers.

At the Autumn Spending Review in October 2021, it was announced that the British Business Bank (BBB) would receive additional funding to set up Regional Investment Funds, and £130m was committed to the BBB fund for Wales. The Office worked closely with the Department for Business, Energy, and Industrial Strategy (BEIS) and the BBB to ensure a proportionate pot was secured for Wales. This is to reinforce our efforts to ensure that small and medium sized enterprises (SMEs) can access the finance they need across the UK. The Office continues to work closely with the BBB as the fund is developed to ensure it is tailored to the Welsh economic landscape, and with BEIS as they develop the proposals further.

iii. 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:

- 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, the Gulf Cooperation Council, Canada and Mexico, and negotiations with India, and to join a free trade area with 11 Asia and Pacific nations called the Comprehensive and Progressive Agreement for Trans-Pacific Partnership³ (CPTPP).
- Working with DIT to ensure the benefits of new FTAs are realised for Wales and Welsh businesses, including greater market access opportunities with Australia, New Zealand, and digital opportunities with Singapore.
- Additionally, the Office has worked closely with DIT and the Department for Environment, Food, and Rural Affairs (DEFRA) on removing market

³ Current members of the CPTPP include Australia, Canada, Japan and New Zealand.

access barriers. This includes the successful removal of the US ban on imports of UK lamb, and tariff free access for certain amounts of steel and aluminium products into the US, following the successful negotiation on the removal of retaliatory tariffs under Section 232 of the US Trade Expansion Act of 1962.

- The Office also facilitated greater trade relations between Wales and the US, with the Secretary of State for Wales hosting an event at Cardiff Castle as part of the US Congressional Delegation visit to Wales in February.

The Secretary of State for Wales is a member of the Board of Trade. The Board met three times during the reporting year – in July 2021, November 2021, and March 2022 – to discuss matters relating to the UK’s re-emergence as an independent trading nation. The Office’s 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 Office’s Ministers met with other UK Government Ministers and senior stakeholders of various sectors in Wales to consider the impact of the UK Government’s trade policy. This included meetings with the farming unions, business representative organisations and the automotive, steel and aerospace industries.

COVID-19 restrictions limited trade promotion activities at home and abroad, with virtual events and limited Ministerial visits taking place over the last financial year. As restrictions eased, in person and international trade promotion events started again.

The Secretary of State attended the Global Investment Summit in October 2021 to promote Wales. He held a series of bilateral meetings with existing and potential investors. The Office also worked closely with DIT to ensure that Welsh opportunities were showcased as part of the event.

In August, DIT established the DIT Wales team to improve access to DIT services for businesses across Wales, as well as promote opportunities in Wales to global investors, through DIT’s offices around the world. The Office is working closely with the DIT Wales team, the Wales Capital Investment lead and the DIT Sector teams to actively promote opportunities in Wales, including the goods and services Wales has to offer, for investors at home, as well as export and inward investment opportunities abroad.

The Export Strategy was refreshed in November 2021, which sets out how the Government will support businesses to respond to export opportunities around the world. The capabilities built up over the last financial year, supported by the Office, have meant that there is more export support for business and stakeholders in Wales. DIT are also working with their Regional teams and other Territorial Offices, meaning export support is more readily available across the UK.

iv Assisting businesses and others to grow and sustain activities and secure investment from UK government industry initiatives

As set out in the Plan for Wales, the office has focussed on several key sectors for Wales, including steel, automotive, compound semi-conductors and agriculture.

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 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 considers 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.

In October 2021, the Autumn Spending Review launched the Global Britain Investment Fund, a £1.4bn fund which includes £465m for the electrification of UK vehicles and their supply chains. There are many opportunities in Wales for the automotive sector as part of the Government's drive for the electrification of vehicles and the transition to Net Zero. The Office continues to work closely with BEIS, DIT and the Welsh Government to promote the investment opportunities in Wales, so that Wales continues to be one of the most competitive locations in the world for the automotive sector.

The innovative Compound Semi-Conductor cluster in Wales continues to be a comparative advantage for Wales. The Office is working closely with the Department for Digital, Culture, Media, and Sport (DCMS) to develop the UK's Compound Semi-Conductor Strategy. This includes bringing together local partners, including the Welsh Government and Cardiff Capital region, to explore development opportunities in South Wales.

The agriculture sector is a key one for Wales both economically and culturally. The Office has continued to engage constructively through the year with counterparts in Defra both through official's liaison and Ministerial engagement most notably at the regular EFRA Inter Ministerial Group meetings. Ministers have met with representatives from the sector over the year including the farming unions. Notably at the Spending Review the UK Government fulfilled the manifesto commitment to maintain the annual budget to farmers in every year of this parliament.

The Office has also continued to work closely with the South Wales Industrial Cluster as they develop their strategy to decarbonise South Wales' heavy industries, supported by over £20m funding from UKRI's Industrial Decarbonisation Challenge. This funding is enabling the cluster to plan a roadmap to net zero through innovative decarbonisation technologies such as green hydrogen production, carbon capture usage and storage (CCUS) and CO₂ shipping.

In October, UK Government announced that the Hynet North West Cluster had been successfully sequenced as a Track-1 cluster as part of the UK Government's CCUS Cluster Sequencing Process, in line with the Prime Minister's 10 Point Plan commitment to deploy CCUS in a minimum of two industrial clusters by the mid-2020s. The CCUS Cluster Sequencing Process has £1 billion through the CCS Infrastructure Fund to support the deployment of CCUS. This investment will put North Wales among the potential early SuperPlaces which will be transformed over the next decade.

The Office has worked closely with HM Treasury (HMT) and the Department for Levelling Up, Housing and Communities (DLUHC) 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.

B – Level up in Wales as part of levelling up the UK, with missions delivered in Wales by 2030

During 2021-22 the Office contributed to cross-government work to formulate and develop policy on levelling up and to draft the Levelling Up White Paper, published in February 2022.

In August, the Office worked with local partners in Wales to host a visit by officials from the Levelling Up Taskforce to hear first-hand the work needed to level up in Wales. The group held roundtable sessions, chaired by the Wales Office Director, with representatives of Welsh business in Newport and with the Welsh community and voluntary sector in Cardiff. Rhondda Cynon Taff (RCT) council also hosted the group visiting Penrhys, Tonypany and Pontypridd, to learn about the work the RCT is already undertaking to tackle deprivation in the Rhondda and the support that local people would like to see from central government to level up in their communities. The visit helped inform work on the Levelling Up White Paper.

The Office worked closely with colleagues in the Levelling Up Taskforce, and DLUHC more generally, to ensure the content of the Levelling Up White Paper reflected the interests of Wales, including the levelling up missions to improve jobs, income, health, skills, transport, pride in place, safety, and well-being across the UK by 2030. The Secretary of State for Wales attended regular meetings of the Levelling Up Cabinet Committee, chaired by the Secretary of State for Levelling Up, to ensure Wales's interests were represented as policy was decided prior to publication of the White Paper and as planning for delivery of the levelling up missions was discussed post-publication.

Meeting these missions will require a country-wide effort, with the UK Government working with all tiers of government, the devolved administrations, civil society, and the private sector in a spirit of shared endeavour. Following publication of the White Paper, our officials worked closely with the DLUHC Wales Team to begin conversations on levelling up with business and civil

society in Wales. These included initial discussions with CBI Wales and Colegau Cymru, and demonstrated the enthusiasm of national, regional, and local partners in Wales to contribute to delivering the levelling up missions by 2030.

In March 2022, the Secretary of State for Wales attended the inaugural meeting of the Inter-Ministerial Standing Committee, established under the new arrangements for inter-governmental relations. The meeting was chaired by the Secretary of State for Levelling Up and Minister for Inter-Governmental Relations and was attended by the First Minister of Wales and Welsh Minister for the Constitution. The meeting provided an opportunity for an initial discussion between the UK administrations on the Levelling Up White Paper and delivery of the levelling up missions across the UK.

C – Maximise opportunities for Wales from a green and sustainable future, securing jobs and investment as the UK transitions to a net zero economy and ensuring that Wales is well-connected both internally and with the rest of 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), BEIS and the Department for Digital, Culture, Media, and Sport (DCMS).

Energy Infrastructure

The Office has worked closely with local partners and BEIS to support the development of 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. Investment in port infrastructure will be key to ensuring that Wales capitalises on the jobs and supply chain opportunities that floating offshore wind presents. In October, UK Government announced £160m in new funding to support new large-scale floating offshore wind ports and factories across the UK. The Office continues to work with BEIS as this funding is developed to ensure that Welsh interests are considered, and that Wales is well-placed to benefit from this funding.

Following discussion with industry, the Office worked with BEIS to support an increase to UK Government's ambition to reach 5GW of innovative floating wind by 2030, as confirmed in the recent Energy Security Strategy. The Office also engages with The Crown Estate who announced their upcoming Celtic Sea leasing round which could bring forward up to 4 gigawatts of new projects.

Wales has significant strengths and opportunities in marine energy technologies. The Office worked closely with local partners to ensure that tidal stream projects, which are already being developed in North Wales, have the opportunity to bid for UK Government's Contracts for Difference (CfD) Scheme. In November, UK Government announced that it will invest £20m per year in tidal stream electricity as part of the CfD scheme, its biggest investment in a generation into tidal power. This investment will unlock the potential for a thriving tidal energy sector which could support hundreds of green jobs across North Wales. The UK Government also provided £200k to Swansea Council through the UK Community Renewal Fund to conduct a feasibility study for tidal lagoon project Dragon Energy Island.

Wales has prime sites for new nuclear projects and the Office has worked closely with BEIS to progress nuclear energy opportunities. UK Government's Net Zero Strategy, published in October, announced a new £120m Future Nuclear Enabling Fund to address nuclear barriers to entry, naming Wylfa in North Wales as a potential site for new nuclear technology. In November, UK Government announced £210m for Rolls-Royce SMR to further develop the design for one of the world's first Small Modular Reactor (SMR) designs, potentially capable of deployment in the UK in the early 2030s. The Office played a key role in supporting BEIS to progress discussions with nuclear proposals for Welsh sites, as referenced in the Energy Security Strategy. The Office will continue to engage with local partners and OGDs to promote nuclear opportunities in Wales.

The Office has worked with BEIS to support progress on the development of the Holyhead Hydrogen Hub, which is supported by £4.8m UK Government funding subject to business case and other approvals. 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 on other net-zero project opportunities over the past years to ensure that Wales is best placed for future investment.

Transport infrastructure

In November 2021, Sir Peter Hendy published the final report as part of the Union Connectivity Review, looking into transport connectivity between Scotland, Wales, Northern Ireland, and England. At Spending Review 2021, an additional £22.5m was made available in addition to the previously committed £20m to support the development of Union Connectivity Review proposals, which Wales will benefit from. In the final report Sir Peter identified three core areas that would benefit Wales, including a multimodal review of the North Wales transport corridor, relief from congestion for the M4 corridor in South Wales by upgrading and building new stations on the existing South Wales Main Line; and to increase connectivity and reduce journey times between Cardiff, Birmingham and beyond. The Office is engaging closely with DfT on the government response, which is expected to be published later this year.

There has been progress on rail upgrades this financial year. The development of the Cardiff Central Upgrades has continued to progress into the design phase, with £5.8m of the £58m of funding having been released by the UK Government. Progress on the reopening of St Clears Station in West Wales for the first time in 50 years continues, after securing £4m of funding from the UK Government's New Stations Fund. The department continues to engage with DFT and the station is on track to welcome passengers in 2024. State of the art signalling upgrades on the Cambrian Line are well into development with the upgrades expected to finish in 2022, in time for passengers to benefit from new rolling stock in the next financial year.

The Office continued to work with DFT 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 has continued to engage with BEIS to progress the business case for the Global Centre for Rail Excellence, which will create a world class train testing facility in Wales. The business case has passed the Outline Business Case stage and funding was successfully recommitted at Spending Review 2021.

On road infrastructure, the Office continues to work with DFT 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 Levelling Up White Paper commits to the UK having nationwide gigabit-capable broadband and 4G coverage, with 5G coverage for the majority of the population, by 2030. Wales is expected to have 70-80% gigabit capable broadband coverage by 2025, and 80% 4G coverage from all Mobile Network Operators by 2026. The Office continues to highlight the importance of Digital Infrastructure for levelling up in Wales and has worked with the Department for Digital Culture Media and Sport (DCMS) to further progress digital connectivity in Wales.

Under the industry element of the Shared Rural Network (SRN) programme the operators Three, VMO2 and Vodafone are working to identify 222 new mast locations across the UK to improve 4G coverage. 33 of these sites will

be in Wales, and this includes Pembrokeshire, Snowdonia National Park, the Brecon Beacons and Powys. EE has also announced plans to expand 4G to over 2000 areas across the UK by June 2024, 123 of which are in Wales. The Office has regular engagement with all mobile network operators involved in the programme to understand their progress and the challenges to rollout. The Office has also engaged with DCMS/BDUK regarding the Extended Area Service (EAS) element of the SRN which will improve 4G coverage in the hard-to-reach areas of Wales where there is currently no signal from any operator. In Wales there are 86 EAS sites which are being considered in Dyfed Powys, Gwent, and North Wales regions, with work ongoing to facilitate activation of sites for commercial connectivity in 2023. DCMS/BDUK are working with the Home Office and the mobile network operators to facilitate 10 EAS/SRN pilot sites, 4 of which will be in Wales to test delivery processes.

Regarding the UK Government's £5bn Project Gigabit, in June 2021 UK Government modelling identified up to 234,000 homes and businesses in Wales in scope of Project Gigabit. An Open Market Review (OMR) was undertaken by the Welsh Government in September 2021 to confirm these figures. The findings from this OMR will now be subject to feedback via a Public Review to finalise the premises in scope in Wales.

In March 2022, a project connecting over 600 public sector buildings in Wales to gigabit-capable broadband was completed under the Local Full Fibre Networks programme. This included 323 buildings in North Wales, 166 in Cardiff, 68 in Pembrokeshire, and 77 in other rural areas.

As of December 2021, 2180, vouchers worth £5.4m had been issued to help communities in the hardest to reach parts of Wales through Project Gigabit's UK Gigabit Voucher Scheme. This is in addition to 1960 vouchers, worth £5.16m, which had already been used to connect homes and businesses in Wales.

Innovation

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 £108.8m on 121 unique Welsh projects through the 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. Wales also saw £22m investment into Media.Cymru through Wave 2 of the Strength in Places Fund.

In October 2021 at the Autumn Spending Review the Government announced that there will be an increase in public investment in R&D to £20bn by 2024-25 (including funding for EU programmes), to build towards the target of increasing public R&D investment to £22bn by 2026-27 and economy-wide R&D to 2.4% of GDP by 2027. Following on from this, commitments from the levelling up white paper further laid out the Government plans, with a drive to increase domestic public investment in R&D outside the Greater South East by at least 40%, and over the Spending Review period by at least one third. The Office has worked closely with the Wales leads in Innovate UK and Engineering and

Physical Sciences Research Council, to ensure the increased innovation funding proportionately lands in Wales.

Priority 2 – Strengthen and protect the Union and Wales’ role within it.

Promote Wales’s position within the UK by ensuring Wales maximises the benefits from its place within the Union

The Office has worked to ensure that Wales remains at the heart of the UK Government’s Union strategy 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, throughout the reporting period the Office continued to support the Cabinet Office in its work to refresh the structures governing the relations between the UK Government and the Devolved Administrations. Following agreement with the Devolved Administrations, the Review of Inter-Governmental Relations (IGR) was agreed jointly with the Devolved Administrations in January 2022.⁴

The UK Government has now started engaging with the Devolved Administrations on the basis of the conclusions in the Review. This Review sets out new structures made up of the following three tiers for ministerial engagement:

- A new council, chaired by the Prime Minister and made up of the Heads of the Devolved Governments, to oversee and strengthen relationships between all of the UK’s Governments.
- An Inter-Ministerial Standing Committee (IMSC) to consider issues bearing wider implications for relationships between the governments, including cross-cutting issues. Membership of the IMSC includes relevant IGR ministers from all governments and ministers from other departments can be invited to attend. The Secretary of State for Wales attended the first meeting of the IMSC on 23 March, which discussed the approach to UK legislation, the situation in Ukraine and domestic implications for the UK, and the Levelling Up White Paper.⁵ This tier also includes a Finance IMSC to consider finance and funding matters, as well as the option for further time limited committees on specific issues.
- Portfolio level engagement on areas of mutual interest through Inter-Ministerial Groups (IMGs). IMGs are led by individual departments and cover wide range of policy issues within a given ministerial or departmental portfolio. While these groups will aim to meet regularly on a quadrilateral basis, it may be more appropriate in some areas for engagement to be less frequent or in a different format. The Secretary of

⁴ The Review of intergovernmental relations is available at this link: [Review of intergovernmental relations – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/107111/Review_of_intergovernmental_relations_-_GOV.UK_(www.gov.uk).pdf).

⁵ A communique of the first meeting of the Inter-Ministerial Standing Committee is available at this link: [Interministerial Standing Committee Communique: 23 March 2022 – GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/107111/Interministerial_Standing_Committee_Communique_-_23_March_2022_-_GOV.UK_(www.gov.uk).pdf).

State and his Ministerial team attend IMG meetings where appropriate. For example, Minister Davies attended all four meetings of the IMG for Environment, Food and Rural Affairs in 2021/22.

This structured approach to engagement between the administrations is detailed in the UK Government's quarterly and annual transparency reports on intergovernmental relations.⁶ It is complemented by regular meetings between Wales Office and Welsh Government Ministers to discuss matters of mutual interest.

In November the Secretary of State attended the 36th Summit meeting of the British Irish Council hosted by the Welsh Government in Cardiff. The meeting discussed a range of issues including minority languages and early years policy, COP 26 and recovery from the Covid-19 pandemic.

Ensure the Welsh devolution settlement works effectively

The Office played a key role in supporting the government's legislative programme in the second session of this Parliament, working closely with departmental Bill Teams on legislation which impacts Wales. This included supporting engagement between Bill teams and the Welsh Government, as the UK Government sought the Senedd's consent to provisions in various Bills. Over the year, legislative consent motions were approved for provisions in 10 Bills for which the UK Government sought the consent of the Senedd, including the Advanced Research and Invention Agency Bill, the Health and Care Bill and the Environment Bill.

There were however two Bills during this period that did not receive legislative consent from the Senedd – the Professional Qualifications Bill and the Subsidy Control Bill. In respect of both these Bills the UK Government worked constructively with the Welsh Government with significant engagement both at official and Ministerial level. This engagement resulted in the UK Government bringing forward amendments to address Welsh Government concerns. For example, the Government added provision to the Professional Qualifications Bill to amend the Government of Wales Act 2006, removing the requirement that the Welsh Government obtains the UK Government's agreement to remove the concurrent powers in the Bill. Despite this engagement it was not however possible to reach agreement and the Senedd refused legislative consent for the Professional Qualifications Bill and the Subsidy Control Bill on 15 February and 1 March respectively. The UK Government will continue to work closely with the Welsh Government and the other devolved administrations on the operation of both regimes.

In April 2021, the High Court dismissed the Welsh Government's application for a judicial review of the UK Internal Market Act 2020. Following an appeal by the Welsh Government, the Court of Appeal upheld the High Court's decision in February 2022. The UK Government strongly refutes the Welsh Government's

⁶ Links to the quarterly and annual reports are available at this link: [Intergovernmental relations – GOV.UK \(www.gov.uk\)](#)

claims, and the Office has worked closely with the Department for Business, Energy, and Industrial Strategy in preparing our response.

Wales Act 2014

In May 2021 the Secretary of State for Wales laid before Parliament the seventh and final report on the implementation of the fiscal provisions in Part 2 of the Wales Act 2014, in line with the reporting requirements as set out in section 23 of the Act.

Advocating the case for the Union

In October the Welsh Government established the Independent Commission on the Constitutional Future of Wales to consider and develop options for fundamental reform of the constitutional structures of the UK and to strengthen Welsh democracy. In March 2022, the Secretary of State for Wales and Minister for Levelling Up, the Union and Constitution gave evidence to the Commission, strongly advocating the case for the Union and the positive intergovernmental working taking place between the UK Government and the devolved administrations.

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

The Office supports the ambition of achieving one million Welsh speakers by 2050 by championing the use of the Welsh language across UK Government. The Office has collaborated with Civil Service Local to launch a Welsh Language Network for Welsh speaking civil servants. The purpose of the Network is to facilitate additional training and networking opportunities for Welsh-speaking officials. In addition, the Office is continuing to develop its Welsh language Forum; a platform which will seek to improve the consistency of Welsh language delivery across UK Government. Moreover, the Office formally moved into Tŷ William Morgan – the new UK Government Hub in Cardiff – in July 2021. The Office ensured that the corporate frontage and internal signage of the building is bilingual and guaranteed that HMRC committed to employing bilingual receptionists to ensure visitors could be greeted in their preferred language.

As the only Welsh language broadcaster, The Office recognises the importance of S4C to the people and culture of Wales. The Office worked closely with DCMS and S4C to ensure a strong outcome for S4C in the licence fee settlement. The settlement provides S4C with £88.8m per annum for the first two years, then rising in line with inflation thereafter, and includes a new commitment of £7.5m per annum to support S4C's digital development.

The Office has also supported the UK City of Culture 2025 competition by encouraging all Welsh local authorities to participate. We achieved strong representation across Wales, with expressions of interest from Wrexham County Borough, Powys, City of Newport, Conwy County and City of Bangor. Wrexham County Borough has since been shortlisted along with Bradford, County Durham, and Southampton. The Office provided feedback on the strength and viability of Wrexham's bid as part of the shortlisting process. We also continue to engage with DCMS regarding Unboxed: Creativity in the UK

and are reviewing opportunities for ministerial engagement at the programme events in Wales.

As part of the Multi-Sport Grassroots Facilities Programme, £1.3m was available for improving grassroots football facilities in Wales in 2021/22. The Office worked closely with DCMS and the Football Association for Wales (FAW) to fund a total of 17 projects across Wales. Applications for funding underwent an initial sift by the FAW based on agreed criteria, including serving deprived areas, increased participation from women and girls, ethnic minorities, and disabled players, and having multi-sport benefits. The Wales Office provided feedback on the FAW's initial assessment and considered wider factors such as levelling up funds and geographical spread.

Champion the contribution of the Armed Forces in Wales

The Office has continued to work with the Ministry of Defence (MoD) on their commitment to maintain a strong footprint for the Armed Forces in Wales. In November, the MoD confirmed the Queen's Dragoon Guards will return to Wales. They will be one of two Regular units based at Caerwent in Monmouthshire. A Reserve unit will also be based in Wrexham. These decisions will see an increase in the Army footprint in Wales from 6.7% to 7.3%.

Over the reporting period, the Office successfully secured funding for the Veterans' Commissioner for Wales post. The Commissioner's overall strategic objective is to improve outcomes for veterans, their families, and Armed Forces families across Wales. On St David's Day, the Office announced the successful appointment of the Commissioner – Colonel James Phillips – who will take up their post in June 2022.

The Office also joined and assisted in the creation of a UK Government veteran communications coordination group, to ensure Territorial Offices and the Office of Veterans' Affairs collaborate effectively to celebrate the contribution of veterans to society, wherever they choose to settle in the UK.

Priority 3 – Increase the visibility of the UK Government's commitment to Wales

Strengthen the UK Government's presence in Wales and enhance its visibility

The Places for Growth Programme is responsible for delivering the Government's commitment to relocate 22,000 civil service posts from Greater London 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.

In July, Wales Office moved formally into its new Cardiff home, on the eleventh floor of the new UK Government Hub in Cardiff – Tŷ William Morgan (William Morgan House). The majority of Wales Office staff are now based in the building. The Hub provides a modern office environment in the heart of Cardiff,

enabling staff to work with colleagues from a wide range of UK Government departments on policies and programmes relating to Wales.

The Office has worked closely with the Cabinet Office, which has lead responsibility for the Places for Growth programme, and individual departments to encourage them to locate roles in Tŷ William Morgan. Over the past year we have supported the establishment of the DLUHC Wales Area Team, the DIT Wales Trade and Investment Hub and the relocation of DCMS roles to the Cardiff Hub. In February, the Government announced that Wales will benefit from the relocation of around 500 non-operational Ministry of Justice roles to sites including Cardiff, Swansea, and Wrexham by 2030.

Maximise the visibility of UK Government spending in Wales and the benefits and outcomes of this expenditure

During the year, the Office supported UK Government investment in Wales by a range of departments. Wales Office leads on UK Government investment in the four city and growth deals in Wales, including £53m in 2021-22.

We worked closely with DLUHC on UK Government investment in local growth funds in Wales. This close working proved very successful in securing UK Government investment in Wales, with £121m invested in 10 Levelling Up Fund projects, £46m in over 160 UK Community Renewal Fund projects and £464,000 in three Community Ownership Fund projects across Wales. UK Government funding for these local growth projects was provided directly to local authorities in Wales using the financial assistance power under the UK Internal Market Act 2020.

Visibility and public awareness in Wales of this investment is being promoted through the bilingual Levelling Up / Ffyniant Bro brand and through a programme of Ministerial visits to projects on the ground focusing on the long-term benefits of the investments in terms of jobs and economic growth. For example, the Secretary of State for Wales visited Levelling Up Fund projects in Wrexham, Carmarthenshire, and Rhondda Cynon Taff during the year to highlight UK Government's capital investment in a range of schemes.

Wales Office officials met key local partners in Wales regularly during the year, including local authority chief executives, representatives of business organisations and leaders in the community and voluntary sectors in Wales, to discuss the UK Government's strategic priorities and investments in Wales and how the respective sectors can engage in their delivery.

The Office worked with other government departments to use the 2020 Act's finance assistance power to provide funding directly to Welsh local authorities for a number of other bespoke schemes. For example, we worked with the Department for Education to provide payments to Cardiff Council through the Afghanistan Resettlement (Education) Grant scheme. This funding has allowed Cardiff Council to provide education services for children arriving from Afghanistan living in temporary accommodation.

We also contributed to the UK-wide Connections campaign, a social media campaign to highlight the benefits of the Union. This featured case studies from across Wales under several themes including business and innovation and food and drink. Our expertise helped to inform the campaign which had positive engagement across the various social channels across the UK.

Increase the visibility and impact of UK Government Ministers and policies in Wales

The Office worked with departments across Whitehall to co-ordinate visits to Wales by UK Government Ministers. As part of this co-ordination, we worked with No.10 and Cabinet Office to ensure regular visits throughout the year by a range of UK Government Ministers with varied portfolios.

The visits highlighted UK Government investments in Wales and sought to make the benefits of the Union to Wales clear, visible, and more widely understood. Ministerial visits to Wales during the year included:

- The Prime Minister, who visited North Wales in January to see levelling up in action. The visit included tours of Hanson UK in Penmaenmawr and Orthios Eco Park in Holyhead.
- The Secretary of State for Levelling Up, Housing and Communities visited Merthyr Tydfil and Pontypridd in November to see first-hand projects funded by the UK Government through the UK Community Renewal Fund and Levelling Up Fund.
- The former Secretary of State for Housing, Communities and Local Government visited Treorchy and Swansea in June. In Swansea, the Minister saw the progress being made on the Copr Bay Phase 1 development, part funded by the Swansea Bay City Deal.

The Secretary of State for Wales accompanied the Ministers on each of these visits.

Ministers of State also visited Wales to learn more about the delivery of reserved public services within their portfolios. For example, the Minister of State for Crime and Policing visited the Carmarthen headquarters of Dyfed Powys Police in July to discuss rural crime with the Dyfed Powys Police and Crime Commissioner.

The Office worked to ensure that these visits received positive media coverage across a range of outlets.

Media coverage of the Secretary of State also increased across UK outlets. In January he appeared on Question Time. He also took part, for the first time, in the morning media round with appearances on Good Morning Britain, LBC, Sky News, Times Radio and Talk Radio. He also conducted interviews with national newspaper outlets, including The Times, and featured on several podcasts.

The Office appointed a Social Media and Digital Editor with specific skills and expertise in the digital landscape. We also wrote a digital strategy to boost our reach and engagement across the various platforms and to increase our visibility. As part of our digital delivery, we created our own bespoke social media content, including case studies which illustrated in practical terms the benefits of UK Government investments for jobs and economic growth in Wales.

We continued to develop our social media presence throughout the year, and the first phase of our work resulted in the Office's Twitter following increasing by some 7,000 users.

Ensuring regular coverage of the UK Government's policies and delivery in the Welsh language remained a priority and we worked closely with Welsh language media outlets to ensure the Under-Secretary of State, a Welsh speaker, was available to conduct these interviews. He appeared on either radio or TV once a fortnight, on average, during the year, including to discuss the Autumn Budget and Spending Review in October and the Levelling Up White Paper in February. The Minister also conducted several panel discussions in the Welsh language during the year.

COVID-19 Response and Recovery

The Office played a key role throughout the year in supporting Wales's fight against Covid-19. This included working with HM Treasury to ensure the Welsh Government had sufficient funding to lead the response to the pandemic in Wales, working with DHSC and the Vaccines Taskforce to support the rollout of vaccines in Wales and working with the Ministry of Defence on Armed Forces' support for frontline health services in Wales.

In 2021-22, the UK Government provided the Welsh Government with an additional £4.2 billion to support the fight against Covid-19 in Wales. This included additional funding which was made available in December 2021 in response to the spread of the Omicron variant.⁷

The Office continued 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 vaccine doses needed for a timely rollout of the Covid-19 vaccination programme.
- Working closely with other UK Government departments and the Welsh Government on co-ordinating the UK's response to COVID-19. This included the Secretary of State and his Ministerial team attending regular meetings of the COVID-19 Operations Cabinet Committee, responsible

⁷ Latest figures detail UK Government's record funding of £18 billion a year for the Welsh Government - GOV.UK (www.gov.uk)

for delivering the policy and operational response to COVID-19. The Secretary of State also participated in weekly meetings between the UK Government and the devolved administrations chaired by the Secretary of State for Levelling Up, Housing and Local Government and Minister for Intergovernmental Relations⁸. These meetings enabled the UK's four administrations to co-ordinate their respective responses to the virus.

- Approving requests from the Welsh Government for UK armed forces support in delivering health services in Wales, working with the Ministry of Defence. The Office's role in approving requests, through the Military Aid to Civilian Authorities (MACA) process, is described in further detail overleaf.
- Providing advice and guidance to businesses and the self-employed in Wales and members of the public on various aspects of Covid-related restrictions and accessing UK Government support schemes for businesses and employees – for example the Self-Employed Income Support Scheme (SEISS), on which the UK Government spent some £1.045 billion in Wales. Further information on UK Government support in Wales through the SEISS and the Coronavirus Job Retention Scheme (furlough), which both ended in September, is available in Table 1 below.
- Keeping MPs informed of the Office's work on the 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 five times during 2021-22 on the Government's Covid response and a range of other issues. Minister Davies gave evidence to the committee on a further three occasions.

Table 1: UK Government Covid-19 Support Schemes in Wales (since start of pandemic)

Scheme	Support in Wales
Coronavirus Job Retention Scheme (Furlough)	474,600 jobs
Self-Employment Income Support Scheme (SEISS)	418,000 claims

Source

<https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-16-december-2021/coronavirus-job-retention-scheme-statistics-16-december-2021#furlough-by-country-and-region>

<https://www.gov.uk/government/statistics/self-employment-income-support-scheme-statistics-december-2021/self-employment-income-support-scheme-statistics-december-2021>

⁸ Secretary of State Gove also chaired these meetings in his previous role as Chancellor of the Duchy of Lancaster.

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 2021-22, he approved all requests within 24 hours of receiving them.
- During 2021-22, up to 313 military personnel were made available to support the Welsh Ambulance Service Trust. This support helped to ease unprecedented pressures resulting from the pandemic and ensure WAST continued to provide their essential service, including attending life-threatening calls. This task was scaled down gradually and concluded at the end of March.
- In December 2021, 91 Armed Forces personnel were made available to support the Covid-19 vaccine booster programme in Wales. Personnel were deployed to all seven health boards in Wales, supporting efforts to accelerate the vaccine rollout amid a wave of Omicron infections. This task concluded in February.
- The MACA process is an excellent example of how being part of the United Kingdom has benefitted Wales directly through the COVID-19 pandemic.

Work with the Welsh Government on Coal Tip Safety

The Office has continued to work 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 a coal safety summit to review the work carried out by the Coal Tip Safety Taskforce. The Taskforce was established by the Welsh Government in the aftermath of the Tylorstown landslip in February 2020 to lead the work on coal tip safety.

Finance and Governance

The delivery of our three strategic priorities is 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.

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

Finance

The Department's 2021-22 budget was set in the 2020 Spending Round.

Of the £20.869 billion Welsh settlement, the Office's allocation for 2021-22 was around £6 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 (£20.863 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 continue to fully utilise our existing shared services with the Territorial Offices. 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 and are further consolidating the finance teams shared between the Wales and Scotland Offices.

In respect of accommodation, the Department has tenants (the Greater London Lord Lieutenancy and Independent Commission for Aid Impact) in our London Office which generated rental income in 2021-22 of £99k for the Department and makes more efficient use of our accommodation.

In the Summer of 2021, the Office relocated its Cardiff Office from Cardiff Bay to the new UK Government Hub in central Cardiff.

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 2021-22 we dealt with 100 Freedom of Information (FOI) requests as set out below.

Description	Number 2021-22	Number 2020-21
FOI requests received, Of which:	100	101
Responses replied to within 20 working days or within permitted extension	98 (98%)	100 (99%)
Internal Review of our responses requested	5	1
Response referred by requestor to the Information Commissioner	1	0

Our Parliamentary performance over 2021-22 is summarised below:

Type of Question	Number 2021-22	Number 2020-21
Named Day	18	31
Named Day responses replied to on time (target 100%)	16 (89%)	31 (100%)
Ordinary	102	80
Ordinary responses replied to on time (target 100%)	101 (99%)	80 (100%)

Our performance in handling correspondence during 2021-22 was:

Target	2021-22 %	2020-21 %
100% Correspondence dealt with within 15 days	97%	97%

Political and Charitable Donations

The Office did not make any political or charitable donations in 2021-22. (2020-21 Nil).

Anti-Fraud and Raising a Concern (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 Managing Public Money and the Civil Service Employee Model Whistleblowing Policy.

There were no reported cases of fraud or whistleblowing during the reporting period. (2020-21 Nil).

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. On 1st April 2021, the Office transferred the ownership of Gwydyr House to the Government Property Agency (GPA). This transfer was part of a Government-wide programme.

We obtain our professional advice and support from both the MoJ estates team and GPA, 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 space (accommodating around 49% of staff in Wales), in the new UK Government Hub located in central Cardiff.

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 2021-22, there were no accidents reported to the relevant authorities (2020-21 Nil).

Covid-19 Restrictions

The Office continued to follow workplace Covid-19 restrictions throughout 2021-22, reflecting variations in restrictions between Wales and England and changes to both during the year.

Our staff worked from home to varying extents during the year reflecting the ebb and flow of pandemic restrictions. We modified staff guidance during the year to reflect these changes. In the workplace, we continued to limit the use of adjacent desks, and provided hand sanitizers and clear signage to minimise the risks of staff contracting Covid-19.

The Office continued to enable staff to purchase equipment such as chairs, monitors, and headphones to make homeworking more comfortable, and implemented upgrades to our IT (provided by the Ministry of Justice) to make virtual communication easier.

We carefully managed a gradual return to our London Office in the first quarter of 2022 as restrictions in England started to ease.

Staff working in our Cardiff office followed Welsh Government guidance relating to Covid-19, including guidance relating to working at the office. Our Wales-based staff generally worked from home throughout the reporting year and worked at the office only when guidance permitted and there was a clear business need to do so.

Smarter Working

In March 2022, the Office gained accreditation as a Smarter Working Department. Smarter Working is a Civil Service-wide programme to develop modern ways of working. We shall be building on our accreditation to become a mature Smarter Working organisation by the end of 2022.

Sustainable Development

This sustainable development report has been prepared in accordance with 2021–22 guidelines laid down by HM Treasury in ‘Public Sector Annual Reports: Sustainability Reporting’ published at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1030665/Sustainability_Reporting_Guidance_2021-22.pdf

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

The Office occupies Gwydyr House in London. It also rents space in the UK Government Hub in Cardiff, but shared occupations are not accounted for due to the limitations of extrapolating reliable sustainability data from service charges supplied by landlords.

The Office does not report on environmental protection and social responsibility as the work and remit of the Offices does not cover this area of policy.

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/publications/greening-government-commitments-2021-to-2025/greening-government-commitments-2021-to-2025>

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 Emissions Tonnes				
	2017-18	2018-19	2019-20	2020-21	2021-22
Air Travel	36.01	31.42	49.65	0.00	0.00
Rail Travel	15.56	16.29	11.98	1.33	3.42
Car mileage	1.92	2.34	1.92	2.06	1.46
Gas Heating	23.59	19.7	13.4	11.14	14.08
Electricity*	26.68	23.42	11.1	10.2	2.89
Waste	0.11	0.04	0.01	0.10	0.08
Total CO ₂ Tonnes	103.87	93.21	88.06	24.83	21.93
Water Consumption Cubic Metres**	385	212	427	505	252

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

** The consumption of water in 2021-22 is based on estimated meter readings.

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

Financial Review

In 2021-22 the Office spent £19.9 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 2022.

Movements in Estimate provision during 2021-22

At the start of the year the Department was voted £20.4 billion in its Main Estimate. By the final Single Supplementary Estimate, this had increased to £20.9 billion largely due to a £551m increase in funding for the Welsh Consolidated Fund (WCF).

Explanation for variances between Estimate and Net Resource Outturn

Wales Office Resource

Spending in Department Expenditure Limits		Outturn £000	Estimate £000	(Overspend)/ Under spend £000	Percentage of estimate %
A	Wales Office	5,964	6,363	399	6%

The underspend of £0.399m against the Supply Estimate is mainly attributable to lower-than-expected costs associated with the move of the Cardiff Office to the new UK Government Hub in Cardiff and exiting the previous accommodation in Cardiff; unavoidable delays in recruiting new staff during the year, and reduced travel costs due to the Covid Pandemic.

Wales Office - Capital

Spending in Department Expenditure Limits		Outturn £000	Estimate £000	(Overspend)/ Under spend £000	Percentage of estimate %
A	Wales Office	0	30	30	0

The Office did not make any capital purchases in 2021-22

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)	17,878,273	18,799,126	920,853	5%
D	*Pay over of Welsh Rates of Income Tax to the WCF	2,064,061	2,064,061	0	0
	Total to WCF	19,942,334	20,863,187	920,853	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.

Grant payable to the Welsh Consolidated Fund

The sum of £921 million described as an underspend in the grant payable to the Welsh Consolidated Fund indicates the amount of actual cash that the Welsh Government (WG) did not draw down in 2021-22. It is the responsibility of

the Wales Office to transfer funding from the Consolidated Fund to the Welsh Consolidated Fund monthly ensuring that the Welsh Government does not draw down funding in advance of need. The Office paid across all amounts to the Welsh Consolidated Fund as requested by the Welsh Government. Information on the Welsh Government's actual expenditure in resource terms can be found in the Welsh Government's consolidated accounts and the accounts of its arm's length bodies. The Office is responsible for ensuring that funds are transferred appropriately and that transfers are recorded correctly in our accounts. It is for the Welsh Parliament to determine how the funds are spent and for the Welsh Government to account for the expenditure.

Statement of Financial Position

The net liabilities as at 31st March 2022 are £-0.466m (2020-21 net assets £4.1m). The reason for the significant movement in the net position is that on the 1st April 2021 the Office transferred its London Office Gwydyr House to the Government Property Agency (net book value £5m). The asset transfer has a nil impact on the Wales Office budget, with the transfer being treated as a capital grant in kind (expense) and capital disposal (income). See SOPS 1.2 and SOPS Note 2.

The significant balances on the Statement of Financial Position are -

- Property, plant, and equipment £0.106m - This principally comprises plant and equipment and furniture and fittings at the London Office and.
- Financial Assets and Liabilities £67.6m 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

	2021-22 £000	2020-21 £000
Net Resource Outturn (Estimates)	19,947,995	21,804,947
Adjustments to remove non- budget items*	(19,942,334)	(21,800,257)
Total Resource Budget Outturn	5,661	4,690
Of which		
Departmental Expenditure Limit (DEL)	5,964	4,682
Annually Managed Expenditure Limit (AME)*	(303)	8
Adjustments include		
Non- Budget items**	19,942,334	21,800,257
Capital grant in Kind***	5,000	0
Net Operating Cost (Accounts)	19,952,995	21,804,947

Notes

- * AME relates changes in provisions (see note 10) and downward revaluation of property, plant, and equipment assets (see note 2).
- ** 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
- *** Capital grants are budgeted for as CDEL but accounted for as spend on the face of the Statement of Comprehensive Net Expenditure, and therefore function as a reconciling item between Resource and net operating expenditure. A £5 million capital grant in kind was made to the Government Property Agency (GPA) in the form of a transfer of freehold land and buildings. On the 1st April 2021, the ownership of the London Office Gwydyr House was transferred to the GPA for nil consideration.



Glynne Jones CBE
Accounting Officer
11 July 2022

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 CBE – Non- Executive Board Member (NEBM)
Glynne Jones CBE – Director
Geth Williams – Deputy Director, Union and Corporate Services
Sarah Jennings – Deputy Director, Private Office
Louise Parry and Kate Starkey – Joint Deputy Director, Policy
Dafydd Jones – Deputy Director, Press and Communications
Matt Rigg* – Deputy Director Legal

Notes

- * Matt Rigg is employed by the Government Legal Department (GLD). He 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 38-42).

Security and information security

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

Information assets and risks are identified, and controls are in place to manage their use, which are regularly reviewed. We make use of a training package

provided through the Civil Service Learning (CSL) to train all staff annually in information assurance and data handling issues.

There was one security incident reported during 2021-22. (2020-21 Nil). This involved the loss of a laptop and mobile phone. The items were fully encrypted and did not contain confidential or sensitive information. The incidents were fully investigated, and appropriate action was taken.

Statement of Accounting Officer's Responsibilities

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

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the 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 (2020-21 £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 2021-22 and up to the date of the approval of the report.

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 and outcome delivery 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 2021-22 the Board reviewed, agreed updates to and monitored progress of the Office's performance, strategic priorities, and objectives.

The Code of Good Practice for corporate governance in central government departments (2017) stipulates that departmental board effectiveness evaluations should be carried out annually, led by the Lead Non-Executive Board Member and should have independent input at least once every three years.

A review of the governance arrangements of the Department was undertaken by the lead Non-Executive Board Member (NEBM) in March 2022. The results of her review were detailed in a separate report which was shared with all Board Members. The findings were that the Board has continued to improve its effectiveness since last year's review. The areas in which the Board has strengthened include:

- The Board reviewed and updated its terms of reference and operating framework, and reviews also took place by other Committees, which were signed off by the Board.
- The Board established a new committee (the Outcome Delivery Board (ODB) to focus on the delivery of the Department's Outcome Delivery Plan. The committee includes senior officials from other government departments.
- Agendas are structured to separate strategic aspects from more routine governance,

The areas identified in which the Board needs to further develop are on: -

- A corporate scorecard (to reflect key financial information, ODP metrics and underlying functional measurements, such as communications and HR) to be provided for every Board meeting.
- The Board should meet in person more regularly.
- Regular communications should be provided to the wider Department about the work of, and decisions made by, the Board.

An independent review of the Board was undertaken in February/March 2022 based on the Cabinet Office Guidance for Board Effectiveness Evaluations. The findings of this review have been presented to the Board. The areas of strengths identified include:

- Declarations of Interest requirements are well understood.
- The role and responsibilities of the Board and the three Board sub-committees are generally felt to be well understood.
- There are appropriate levels of contribution and free discussion at Board meetings (also evident from observation).

The areas suggested for improvement are:

- There should be a clear remit for each sub committee of the Board which avoids overlap or duplication,
- A regular suite of performance indicators, presented at each Board meeting, should provide oversight of progress against strategic priorities as well as corporate performance
- Now that Covid restrictions have been lifted, engagement between Board members and regular attendees would benefit from more face-to-face interaction.

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 CBE – Non- Executive Board Member (NEBM)	6 of 6
Glynne Jones CBE – Director	6 of 6
Geth Williams – Deputy Director, Union and Corporate Services	6 of 6
Sarah Jennings – Deputy Director, Private Office	6 of 6
Louise Parry and Kate Starkey – Joint Deputy Director, Policy	6 of 6
Dafydd Jones – Deputy Director, Press and Communications	6 of 6

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.

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 2022 seeking views from its members. It concluded that despite the continuing challenge of the global pandemic, the view of both the Committee and the Accounting Officer was that there had been no resultant hiatus or detriment in the control environment or standards of governance. This 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, risk appetite statement, 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	4 of 4
Sam Hartley ¹ – Independent Member	3 of 4

Footnotes

Note 1: Sam Hartley is currently the Director of Policy, Research and Analysis and Deputy Secretary to the UK Covid-19 inquiry. To maintain his independence this official absents himself from any discussions on Covid 19.

Other Board/Committees

Outcome Delivery Board

The Outcome Delivery Board (ODB) oversees the delivery of the Department’s Outcome Delivery Plan (ODP). The OPB was established in July 2021 and reports to the Departmental Board on strategic issues and overall progress of the Plan.

Health and Safety Committee

The Health and Safety (H&S) Committee supports the Board and Accounting Officer in their responsibilities for the health and safety of all staff and visitors to the Office’s premises.

The primary focus of the committee during the year was COVID-19 related primarily reviewing and updating 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 (DLUHC) NED & Audit Committee Chair – Animal and Plant Health Agency (DEFRA) NED & Audit Committee Chair – The Oil and Pipelines Agency
Alun Evans	Sole Director – Atbeconsulting Ltd

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

<https://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 2021-22 these have included the risks of: -

- Failure to influence the Government's strategic priorities effectively in Wales – including levelling up, strengthening the Union and working towards net zero;
- Failure to secure funding from, and policy decisions by, other government departments to enable delivery of our Outcome Delivery Plan and the ambitions in the Plan for Wales.
- Wales does not benefit sufficiently from UK local growth funding.
- UK Government having insufficient presence and visibility in Wales.
- The Office is unable to provide adequate or suitable resources to deliver the UK Government's commitments on Wales.

The Office has good controls in place to mitigate these risks. For example, on the failure to secure funding from, and policy decisions by, other government departments to enable delivery of our Outcome Delivery Plan and the ambitions in the Plan for Wales:

The Office is engaging with external stakeholders and Other Government Departments (OGDs) to influence policy development and ensure that Wales can benefit from opportunities for funding. We have developed Departmental plans to focus our 'asks' of OGDs and influencing ministerial decision-making through engagement between the Secretary of State for Wales and Ministers of OGDs.

The Office worked closely with the Cabinet Office and HM Treasury during Spending Review 21 to ensure that it delivered both on a UK-wide and Wales specific basis. We have established an Outcome Delivery Board (ODB) which

includes representation from key OGD stakeholders to monitor progress of the Outcome Delivery Plan (ODP) and Plan for Wales.

The Office is also engaging with the Welsh Government on projects that require cross-Government collaboration and developing a trade strategy to attract inward investment and develop export potential.

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 by the Audit and Risk Assurance Committee.

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 (SLT) 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.

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 leadership team 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 to provide assurance to the Accounting Officer on governance, risk management and the operation of internal controls within their divisions. All statements were reviewed by the Chair of the ARAC as part of the governance review.

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

Government Functional Standards

The Department has reviewed its compliance with applicable Government functional standards. This review has shown that we are compliant with the minimum requirements.

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 2021-22 internal audit plan included reviews of: Communications Strategy, Divisional Business Planning, and Information Assurance.

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.

On the basis of the work completed and the knowledge of the governance, internal control, and risk management frameworks within the Wales Office, Internal Audit have provided a Moderate annual opinion.

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 47 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 Oil and Pipelines Agency. 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.
- Specific consideration has been given as to whether a conflict of interest could arise in the roles of Lead Non-Executive Director and ARAC Chair being occupied by the same person; the Lead NED does not chair the Departmental Board, so the risk of any conflict is low. Any benefit to be gained from engaging a third NED for this reason continues to be outweighed by the proportionality argument outlined above.
- To ensure that the Audit and Risk Assurance Committee comprises at least three members, an official from the Cabinet Office (Director of Policy, Research and Analysis and Deputy Secretary to the UK Covid-19 inquiry). serves as an independent member. This official absents himself from any discussions on Covid 19.
- 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 pages 34-35.

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), Senedd 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 2021-22

There were no data losses during 2021-22. (2020-21 Nil)

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
11 July 2022**

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 and the related tables below have been subject to audit

The salaries, taxable benefits in kind and pension entitlements of Ministers are shown in the following tables.

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.

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 Wales Office received benefits in kind in 2021-22 or 2020-21.

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)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21		
The Rt. Hon Simon Hart MP, Secretary of State	67,505	67,505	nil	nil	17,000	17,000	85,000	85,000		
David TC Davies MP, Parliamentary Under Secretary of State †	nil	nil	nil	nil	nil	nil	nil	nil		

Notes to the table:

- ¹ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
- † The remuneration costs for the Parliamentary Under-Secretary of State is borne by the Consolidated Fund.

Pension Benefits					
	Accrued Pension at age 65 as at 31 March 2022	Real increase in pension at age 65	CETV at 31 March 2022	CETV at 31 March 2021	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	46	25	11
David TC Davies MP, Parliamentary Under Secretary of State	nil	nil	nil	nil	nil

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 and the related tables below have 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 2021-22 relate to performance in 2020-21 and the comparative bonuses reported for 2020-21 relate to performance in 2019-20.

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)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Glynne Jones CBE, Director	95-100	95-100	10-15	5-10	nil	nil	15,000	54,000	120-125	155-160
Geth Williams Deputy Director, Union, and Corporate Services	75-80	75-80	5-10	5-10	nil	nil	13,000	46,000	95-100	130-35
Sarah Jennings Deputy Director, Private Office (from 28th September 2020) †	90-95	45-50	nil	nil	nil	nil	37,000	19,000	130-135	65-70
Charlotte Cantle, Deputy Director, Private Office (to 20th September 2020) ††	n/a	35-40	n/a	nil	n/a	nil	n/a	15,000	n/a	50-55
Louise Parry, Deputy Director, Policy, job share with Kate Starkey †††	45-50	45-50	nil	nil	nil	nil	11,000	39,000	55-60	80-85
Kate Starkey, Deputy Director, Policy, job share with Louise Parry) †††	45-50	45-50	nil	nil	nil	nil	9,000	35,000	50-55	80-85
Dafydd Jones, Deputy Director, Press and Communications ††††	85-90	15-20	nil	n/a	nil	n/a	33,000	7,000	118-120	25-30
Ashok Ahir, Deputy Director, Press and Communications (to 25th October 2020) †††††	n/a	40-45	n/a	nil	n/a	nil	n/a	17,000	n/a	60-65

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 2019 to the 20th September 2020. Her full-time equivalent salary in 2020-21 was in the range of £80k to £85k.
- ††† Louise Parry and Kate Starkey joined the Department as Deputy Director Policy on the 10th June 2019. Their full-time equivalent salary for 2021-22 is in the range of £70k to £75k (2020-21 £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)	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Alison White, Audit Committee Chair	10-15	10-15	nil	nil	10-15	10-15
Alun Evans CBE, Non-Executive Director *	5-10	0-5	nil	nil	5-10	0-5

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.

Pension Benefits

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2022	Real increase in pension and related lump sum at pension age at 31 March 2022	CETV at 31 March 2022	CETV at 31 March 2021	Real increase/decrease in CETV
	£000	£000	£000	£000	£000
Glynne Jones CBE, Director	45 – 50 plus a lump sum of 90 – 95	0 – 2.5 plus a lump sum of 0	888	837	2
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	656	616	3
Sarah Jennings Deputy Director, Private Office	10-15	0-2.5	162	134	18
Charlotte Cattle, Deputy Director, Private Office (to 20th September 2020)	n/a	n/a	n/a	62	n/a
Louise Parry, Deputy Director Policy job share with Kate Starkey	15 – 20 plus a lump sum of 30 – 35	0 – 2.5 plus a lump sum of 0	261	244	3
Kate Starkey, Deputy Director Policy job share with Louise Parry	20 – 25	0 – 2.5	291	274	1
Dafydd Jones, Deputy Director, Press and Communications	0-5	0-2.5	20	4	10
Ashok Ahir, Deputy Director, Press and Communications (to 25th October 2020)	n/a	n/a	n/a	51	n/a

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

(This section has been subject to audit)

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

The banded remuneration of the highest-paid director in the Office in the financial year 2021-22 was £105k-£110k (2020-21, £105k-£110k) (See Single total figure of remuneration table). This was 2.6 times (2020-21, 2.7 times) the median remuneration of the workforce, which was £41,997 (2020-21, £39,386). The salary component of the median was £41,997.

The implementation of the Department's pay award in 2021-22 increased average staff remuneration and reduced the ratio between the highest paid directors' remuneration and the median pay ratio.

In 2021-22, no employees (2020-21, nil) received remuneration more than the highest-paid director. Remuneration ranged from £8,300 to £106,000 (2020-21 £8,300 to £106,000).

There was no percentage change in the highest paid director's salary and allowance. There was a 10% change in performance pay and bonuses payable to the highest paid director.

The banded remuneration of the highest paid director remained the same as in 2020-21. They did not receive an increase in salary.

For employees of the entity taken as a whole, the average percentage change from the previous financial year of salary and allowances was 2% and the percentage change in performance pay and bonuses payable was -9.7%.

The ratio between the highest paid director's remuneration and the pay and benefits of the employee on the 25th percentile and 75 percentile of pay and benefits of the entity's employees for the financial year are shown in the table below.

The lower quartile remuneration (representing the 25th percentile of the linear distribution) was £30,769 (the salary component of this was £30,769) and the upper quartile remuneration (representing the 75th percentile of the linear distribution) was £55,296 (the salary component of this was £55,296).

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.

Table to show the median, 25th percentile and 75th percentile remuneration and ratio against the band of the highest paid Director in the Wales Office.

Description	2021-22	2020-21
Band of highest paid Director total remuneration (£000)	£105k to £110k	£105k to £110k
Median remuneration (£)	41,997	39,386
Ratio	2.6	2.7
25th percentile remuneration (£)	30,769	-
Ratio	3.5	-
75th percentile remuneration (£)	55,296	-
Ratio	1.9	-

Compensation for loss of office

(subject to audit)

No staff left the Wales Office under Voluntary Exit terms in 2021-22 or 2020-21.

Ministers

(subject to audit)

There were no severance payments made in 2021-22 or 2020-21.

Staff Report

Staff Costs

This section and the related tables below have been subject to audit

The Office's expenditure on staff during 2021-22 is shown in the table below:-

	31 March 2022			31 March 2021	
	Permanently Employed Staff & Inward Secondees	Others	Ministers	Total	Total
	£000	£000	£000	£000	£000
Wages and salaries	2,506	80	68	2,654	2,629
Social security costs	227	-	8	235	230
Other pension costs	539	-	-	539	548
Total Costs	3,272	80	76	3,428	3,407

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme in which the 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-pensions.gov.uk

For 2021-22 employer's pension contributions of £539k (2020-21: £548k) were payable to the PCSPS at one of four rates in the range 26.6% to 30.3% (2020-21: 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 (2020-21: £0) were paid to one or more the panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 8.0% to 14.75% (2020-21: 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. (2021-22: £Nil).

There were no retirements during 2021-22 (2020-21: Nil) on the grounds of ill health.

Staff Numbers

(subject to audit)

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

	31 March 2022	31 March 2021
Permanent staff	43	47
Others	2	2
Ministers	2	2
Special Advisors*	2	2
Total	49	53

* The special adviser numbers are taken on a snapshot date of 31 March 2022.

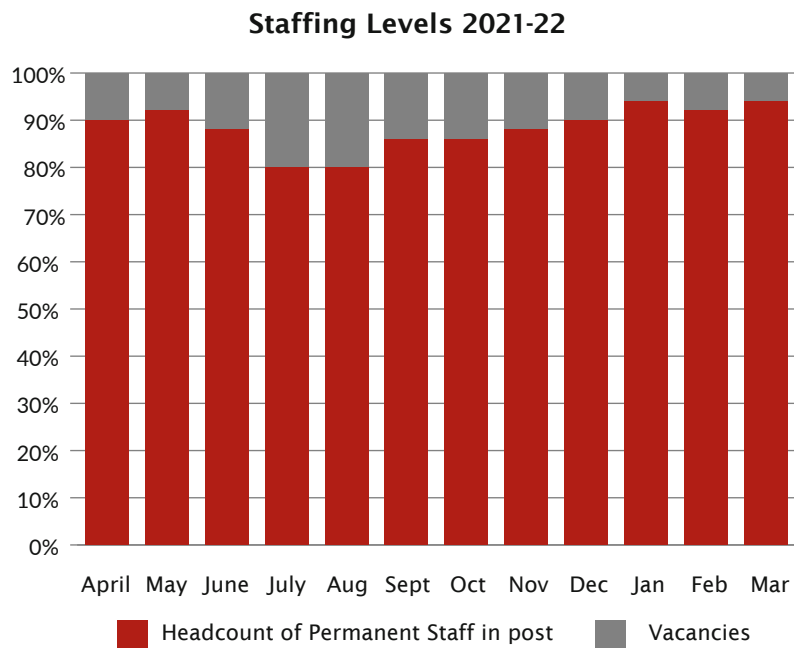
Special Advisers are temporary civil servants. In order to improve efficiency, the administration of staff costs for all Special Advisers across Government was moved to the Cabinet Office in July 2019, with corresponding budget cover transfers.

Special adviser costs are reported in the Cabinet Office Annual Report and Accounts. Special Advisers remain employed by the respective Departments of their appointing Minister.

The Wales Office has never employed staff directly. We continue to receive employment services from the Ministry of Justice (MoJ) who assign staff to us.

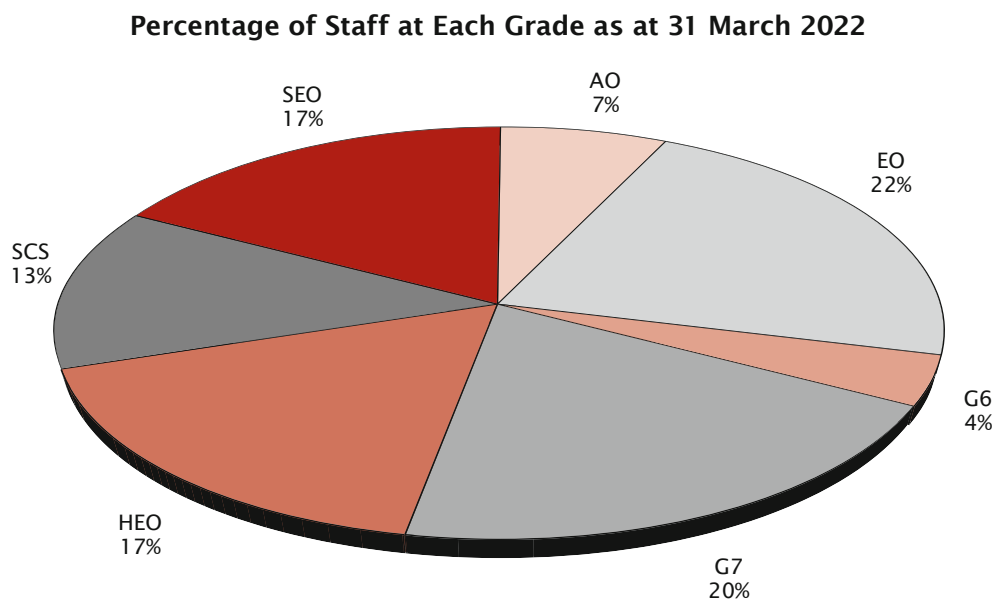
MoJ are subject to the Civil Service Commissioners' Recruitment Principles and staff are recruited on our behalf through fair and open competition. In the past we have been far more reliant on loans from other Government departments but now this arrangement applies to less than five staff.

A monthly breakdown of permanent staffing levels is shown (as a percentage of our allocated headcount) in the chart below:



The Wales Office had a staff complement of 47 staff by the end of the 2021-22 financial year reporting period. The staff turnover during the year was around 41%.

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



Reporting of Civil Service and other compensation schemes - exit packages

(subject to audit)

There were no Civil Service exit packages in 2021-22 or 2020-21

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

The Trade Union Facility Time Regulations do not apply to the Wales Office as we are not an employer. The Ministry of Justice as the employer provides trade union representation for staff.

Senior Civil Service

At the 31 March 2022, there were seven people holding 6 substantive senior civil servant posts in the Wales Office.

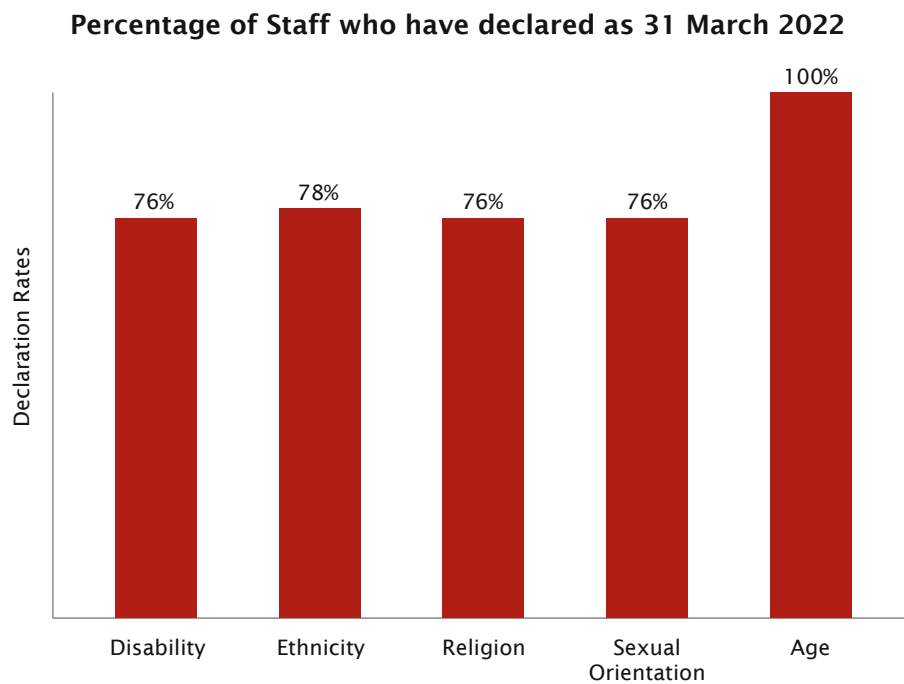
These numbers include one lawyer who is on secondment from the Government Legal Department.

Staff in Senior Civil Service positions	March 2022	March 2021
Proportion of women	57%	57%
Proportion of women at Pay band 2 & above	0%	0%
Proportion of Black and Minority Ethnic (BAME) disclosed	0%	0%
Proportion of Disabled staff disclosed	0%	0%

Equality & Diversity

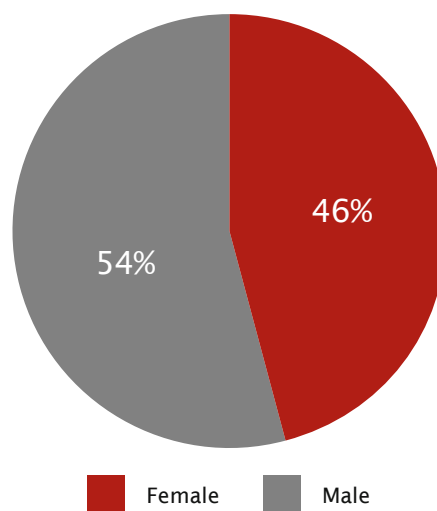
Personal characteristics are recorded through the Ministry of Justice Human Resources (HR) system where staff are encouraged to make personal declarations on a voluntary basis, at regular intervals throughout the year.

Response rates showing the percentages of staff who have voluntarily updated their HR record for each characteristic, at 31 March 2022, is shown in the chart below:

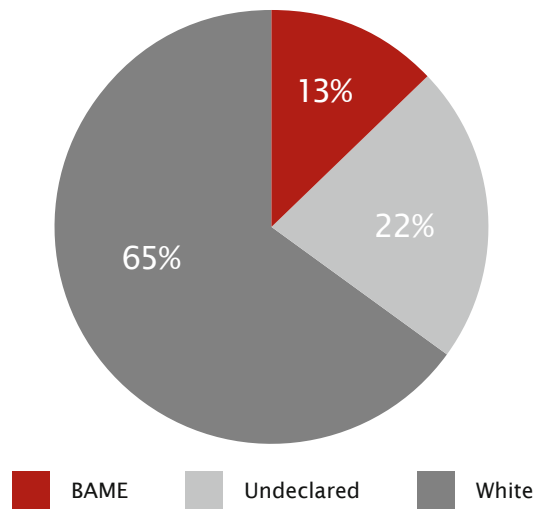


The chart below shows the gender profile, based on HR data at 31 March 2022.

Gender Profile as at 31 March 2022



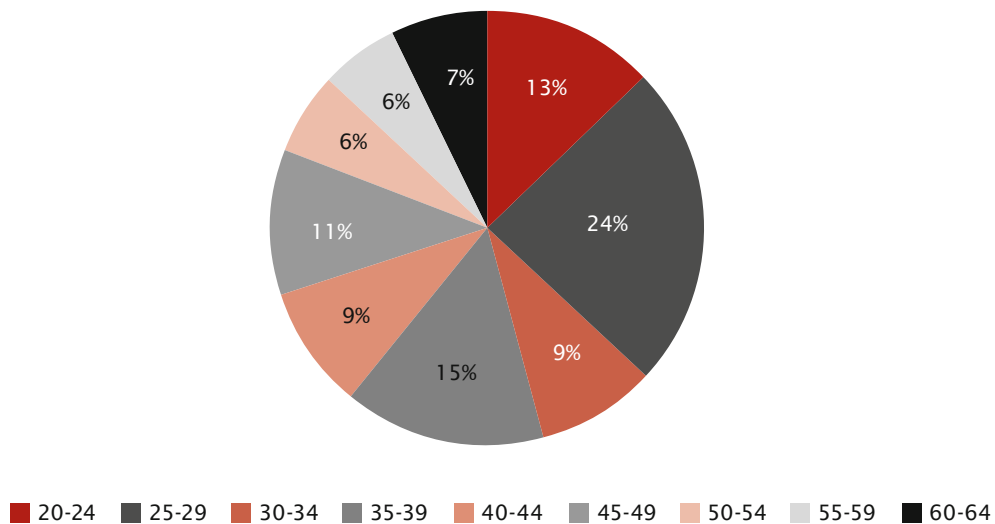
Ethnicity Profile as at 31 March 2022



In terms of Sexual Orientation, Disability and Religion & Belief, our data relates to fewer than five staff and to protect anonymity, a further breakdown of this data will not be published.

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

Age Profile as at 31 March 2022



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.

The Ministry of Justice (MoJ) as the employer uses anonymised applications as part of its recruitment process to reduce unconscious bias.

Other Health Wellbeing Issues

The average number of working days lost (AWDL) due to staff sickness for the calendar year 2021 was 5.2. This is below the CS target of (7.4) and is also an improvement on our 2020 absence rate (6.9)

The Wales Office participates in Wellbeing events organised in collaboration with the wider UK Governance Group and we have offered Mental Health First Aid training to our staff.

Human Rights and Anti-Slavery

The Wales Office is committed to respecting human rights and is included in the Ministry of Justices Anti-Slavery Statement

Spend on consultancy and temporary staff

The spend on consultancy in 2021-22 was nil. (2020-21 £nil).

The total spend on temporary staff in 2021-22 was £79,623 (2020-21 £87,665). The Wales Office used temporary staff to cover for vacant posts.

Off Payroll Appointments

In 2021-22 the Wales Office had no off-payroll appointments for more than £245 per day and for duration of six months or longer. (2020-21 nil).

Staff Engagement Survey

Our overall engagement index was 68% in 2021 compared to 61% in 2020. Our scores increased in every single one of the key work themes, and we scored consistently higher than the Civil Service Benchmark in all areas.

Welsh Language

The Wales Office has in place its own Welsh Language Scheme and reports annually to the Welsh Language Commissioner on performance against the targets specified in the Scheme.

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.

As at 31 March 2022: Five members of staff had declared that they were fluent in listening, reading, and speaking Welsh (2020-21, five). Four of these five members of staff were additionally fluent in writing (2021-21 four).

Parliamentary accountability and audit report

This information has been subject to audit.

Statement of Outturn against Parliamentary Supply (SOPS)

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Wales Office to prepare a Statement of Outturn against 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 2021-22

Type of Spend	SoPS Note	2021-22			2021-22			2021-22			2020-21		
		Outturn			Estimate			Outturn v Estimate savings (excess)			Prior Year Outturn		
		Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000
Departmental Expenditure Limit													
Resource	1.1	5,964	-	5,964	6,363	-	6,363	399	-	399	-	4,682	
Capital	1.2	-	-	-	30	-	30	30	-	30	-	73	
Total		5,964	-	5,964	6,393	-	6,393	429	-	429	-	4,755	
Annually Managed Expenditure													
Resource	1.1	(303)	-	(303)	(249)	-	(249)	54	-	54	-	8	
Capital	1.2	-	-	-	-	-	-	-	-	-	-	-	
Total		(303)	-	(303)	(249)	-	(249)	54	-	54	-	8	
Total Budget													
Resource		5,661	-	5,661	6,114	-	6,114	453	-	453	-	4,690	
Capital		-	-	-	30	-	30	30	-	30	-	73	
Total Budget Expenditure		5,661	-	5,661	6,144	-	6,144	483	-	483	-	4,763	
Non-Budget Expenditure													
		19,942,334	-	19,942,334	20,863,187	-	20,863,187	920,853	-	920,853	-	21,800,257	
Total Budget and Non-Budget		19,947,995	-	19,947,995	20,869,331	-	20,869,331	921,361	-	921,361	-	21,805,020	

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 2021-22 all figures presented in £000's

Item	SoPS Note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Prior Year Outturn Total 2020-21
Net cash requirement	3	19,948,361	20,869,471	921,110	21,804,789

Administration costs 2021-22

Type of Spend	SoPS Note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Prior Year Outturn Total 2020-21
Administration costs	1.1	5,887	6,227	340	4,406

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

Notes to the Statement of Outturn against Parliamentary Supply 2021-22 (£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 2020-21
	Gross	Income	Net	Gross	Income	Net	Total	Total Inc. virements	Total	Virement	Total Inc. virements		
Spending in Departmental Expenditure Limits (DEL)													
Voted Expenditure													
A - Wales Office	5,986	(99)	5,887	77	-	77	5,964	6,363	-	6,363	399	4,682	
Total voted DEL	5,986	(99)	5,887	77	-	77	5,964	6,363	-	6,363	399	4,682	
Total spending in DEL	5,986	(99)	5,887	77	-	77	5,964	6,363	-	6,363	399	4,682	
Spending in Annually Managed Expenditure (AME)													
B - Provisions and Impairments	-	-	-	(303)	-	(303)	(303)	(249)	-	(249)	54	8	
Total voted AME	-	-	-	(303)	-	(303)	(303)	(249)	-	(249)	54	8	
Total spending in AME	-	-	-	(303)	-	(303)	(303)	(249)	-	(249)	54	8	
Non Budget Expenditure													
C - Grant Payable to the Welsh Consolidated Fund	-	-	-	17,878,273	-	17,878,273	17,878,273	18,799,126	-	18,799,126	920,853	19,630,589	
D - Payover of Welsh Rates of Income Tax to Welsh Consolidated Fund	-	-	-	2,064,061	-	2,064,061	2,064,061	2,064,061	-	2,064,061	-	2,169,668	
Total Non Budget Expenditure	-	-	-	19,942,334	-	19,942,334	19,942,334	20,863,187	-	20,863,187	920,853	21,800,257	
Total Resource	5,986	(99)	5,887	19,942,108	-	19,942,108	19,947,995	20,869,301	-	20,869,301	921,306	21,804,947	

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

Type of Spend (Capital)	Outturn			Estimate		Outturn vs Estimate		Prior Year Outturn 2020-21
	Gross	Income	Net	Total Virements	Total inc virements	savings (excess)		
Spending in Departmental Expenditure Limits (DEL)								
Voted Expenditure								
A – Capital	5,000	(5,000)	-	30	-	30	30	73
Total Voted DEL	5,000	(5,000)	-	30	-	30	30	73
Total spending in DEL	5,000	(5,000)	-	30	-	30	30	73
Total Capital	5,000	(5,000)	-	30	-	30	30	73

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

Item	Reference	Outturn total	Prior Year Outturn Total 2020-21
		£000	£000
Total resource outturn	SOPS 1.1		
Budget		5,661	4,690
Non-Budget		19,942,334	21,800,257
Total		19,947,995	21,804,947
Add: Capital Grant in kind		5,000	-
Net Operating Expenditure in Statement of Comprehensive Net Expenditure	SOCNE	19,952,995	21,804,947

As noted in the introduction to the Statement of Outturn against 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.

Capital grants are budgeted for as CDEL but accounted for as spend on the face of the Statement of Comprehensive Net Expenditure, and therefore function as a reconciling item between Resource and net operating expenditure. £5 million of capital grant in kind was made to the Government Property Agency in the form of a transfer of freehold land and buildings.

SOPS3 Reconciliation of Net Resource Outturn to Net Cash Requirement

Item	Reference	Outurn total	Estimate	Outturn vs Estimate savings/ (excess)
		£000	£000	£000
Total Resource outturn	SOPS1.1	19,947,995	20,869,301	921,306
Total Capital outturn	SOPS1.2	0	30	30
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(49)	(75)	(26)
New provisions and adjustments to previous provisions		69	19	(50)
Departmental Unallocated Provision				
Prior Period Adjustments				
Other non-cash items		(30)	(44)	(14)
<i>Adjustments to reflect movements in working balances:</i>				
Capital disposals				
Increase/(decrease) in stock				
Increase/(decrease) in receivables		(65)	-	65
(Increase)/decrease in payables		211	-	(211)
Use of provisions		230	240	10
Total		366	140	(226)
Net cash requirement		19,948,361	20,869,471	921,110

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 2020-21	
	Accruals	Cash basis	Accruals	Cash basis
	£000	£000	£000	£000
Income outside the ambit of the Estimate				
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 2021-22	Prior Year Outturn 2020-21
	£000	£000
Student Loans	37,300	28,244
Cleddau Bridge Loan	0	200
Tai Cymru	8	7
Bank Interest	7	59
Other	103	0
Amount payable to the Consolidated Fund	37,418	28,510
Balance held at the start of the year	-	-
Payments into the Consolidated Fund	37,418	28,510
Balances held on trust at the end of the year	-	-

The total income paid into the Consolidated Fund as at 31st March 2021 and 31 March 2022 were:

	Outturn Total	Prior Year Outturn 2020-21
	£000	£000
Income from 2020-21		28,510
Income from 2021-22	37,418	
	37,418	28,510

3. Parliamentary Accountability Disclosures (subject to audit)

3.1 Losses and Special Payments

The Wales Office has made no losses and special payments in 2021-22 (2020-21 Nil).

3.2 Other Payments

The Wales Office has made not made any significant payments in 2021-22 (2020-21 Nil).

3.3 Fees and Charges

The Wales Office does not have any fees and charges. (2020-21 nil).

3.4 Remote Contingent Liabilities

The Wales Office does not have any remote contingent liabilities.



Glynne Jones CBE
Accounting Officer

11 July 2022

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 2022 under the Government Resources and Accounts Act 2000. The financial statements comprise the Department's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Department's affairs as at 31 March 2022 and its 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 Outturn Against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2022 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 (UK) (ISAs UK)*, *applicable law and Practice Note 10 Audit of Financial Statements and Regularity 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 Department 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 Department'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 Department'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 Department is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires 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 Performance Report and Accountability Report, but does not include the financial statements nor my auditor's certificate. 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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- 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 and is in accordance with the applicable legal requirements.

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 Report.

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

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Department 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; 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:

- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error; and
- assessing the Department'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 Department 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Department's accounting policies.
- Inquiring of management, the Department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department'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 Department's controls relating to the Department's compliance with the Government Resources and Accounts Act 2000, Government of Wales Act 2006, Managing Public Money and Supply and Appropriation (Main Estimates) Act 2021
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override.

I also obtained an understanding of the Department's framework of authority as well as other legal and regulatory frameworks in which the Department operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Government of Wales Act 2006, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2021, employment law, pensions legislation and tax legislation.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management and the Audit and Risk Assurance Committee concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; and
- 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 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.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against 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

12 July 2022

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 2022

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.

		2021-22	2020-21
		Core	Core
		Department	Department
	Note	£000	£000
Income	3	(99)	(117)
Total operating income		(99)	(117)
Staff Costs	2	3,428	3,407
Accommodation, maintenance and utilities	2	1,273	507
Depreciation and impairment charges	2	45	163
Capital grants in kind to other Government Departments	2	5,000	-
Other operating expenditure	2	986	721
Payover to the Welsh Consolidated Fund	2	19,942,334	21,800,257
Lord Lieutenants' expenses	2	28	9
NLF interest payable		2,419	2,474
NLF interest receivable		(2,419)	(2,474)
Total operating expenditure		19,953,094	21,805,064
Net operating expenditure		19,952,995	21,804,947
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net operating costs:			
Net (gain) / loss on revaluation of Property, Plant and Equipment		(2)	212
Property, Plant and Equipment		-	-
Comprehensive Net Expenditure for the year		19,952,993	21,805,159

All income and expenditure relate to continuing activities.
The notes on pages 87 to 105 form part of these accounts

Statement of Financial Position As at 31 March 2022

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

	Note	31 March 2022 £000	31 March 2021 £000
Non-current assets:			
Property, plant and equipment	4	106	5,148
Financial assets	7	67,609	70,085
Total non-current assets		67,715	75,233
Current assets:			
Trade and other receivables	8	2,855	2,868
Cash and cash equivalents	5	28	80
Total current assets		2,883	2,948
Total Assets		70,598	78,181
Current liabilities			
Trade and other payables	9	(3,455)	(3,665)
Provisions	10	-	(299)
Total current liabilities		(3,455)	(3,964)
Assets less net current liabilities		67,143	74,217
Non-current liabilities			
Provisions	10	-	-
Financial liabilities	9	(67,609)	(70,085)
Total non-current liabilities		(67,609)	(70,085)
Assets less liabilities		(466)	4,132
Taxpayers' equity:			
General fund		(470)	527
Revaluation reserve		4	3,605
Total equity		(466)	4,132

The notes on pages 87 to 105 form part of these accounts



Glynne Jones CBE
Accounting Officer

11 July 2022

Statement of Cash Flows For the year ended 31 March 2022

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	2021-22 £000	2020-21 £000
Cash flows from operating activities			
Net operating expenditure	SOCNE	(19,952,995)	(21,804,947)
Adjustments for non-cash transactions	2	5,010	208
(Increase)/Decrease in trade and other receivables	8	13	15
<i>Less: Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i> ¹	8	52	47
Increase/(Decrease) in trade and other payables	9	(2,686)	(2,361)
<i>Less: Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i> ¹	9	2,475	2,327
Use of provisions	10	(230)	
Net cash outflow from operating activities		<u>(19,948,361)</u>	<u>(21,804,711)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	-	(78)
Loan repayments from other bodies (capital)	8	2,417	2,362
Loan repayments from other bodies (interest)	SOCNE	2,419	2,474
Net cash inflow from investing activities		<u>4,836</u>	<u>4,758</u>
Cash flows from financing activities			
From the Consolidated Fund (Supply) – Current Year ²		19,948,309	21,804,832
From the Consolidated Fund (Supply) – Prior year		-	-
Advances from the Contingencies Fund		-	4,656,557
Repayments to the Contingencies Fund		-	(4,656,557)
Repayment of loans from the NLF (capital) ³	9	(2,417)	(2,362)
Repayment of loans from the NLF (interest) ³	SOCNE	(2,419)	(2,474)
Net financing		<u>19,943,473</u>	<u>21,799,996</u>
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities	5	(52)	43
Payments of amounts due to the Consolidated Fund ⁴		37,418	28,510
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	5	<u>(52)</u>	<u>43</u>
Cash and cash equivalents at the beginning of the period	5	<u>80</u>	<u>37</u>
Cash and cash equivalents at the end of the period	5	<u>28</u>	<u>80</u>

The notes on pages 87 to 105 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 2022

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 2020		612	3,858	4,470
Net Parliamentary Funding				
- Drawn down		21,804,832	-	21,804,832
- Deemed	9	37	-	37
Unspent Supply drawn down repayable to the Consolidated Fund	9	(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 & Equipment		-	(212)	(212)
- Other		-	-	0
Movements in Reserves				
- Transfers between reserves		41	(41)	-
Balance at 31 March 2021		<u>527</u>	<u>3,605</u>	<u>4,132</u>
Balance at 1 April 2021		527	3,605	4,132
Net Parliamentary Funding				
- Drawn down	SCF	19,948,309	-	19,948,309
- Deemed	9	80	-	80
Unspent Supply drawn down repayable to the Consolidated Fund	9	(28)	-	(28)
Comprehensive Net Expenditure for the year	SOCNE	(19,952,995)	-	(19,952,995)
Non-cash charges				
Auditor's remuneration	2	34	-	34
Other Reserve Movements				
- Property, Plant and Equipment		-	2	2
- Other		-	-	-
Movements in Reserves				
- Transfers between reserves		3,603	(3,603)	-
Balance at 31 March 2022		<u>(470)</u>	<u>4</u>	<u>(466)</u>

The notes on pages 87 to 105 form part of these accounts

Notes to the Accounts for the year ended 31 March 2022

1a) Statement of accounting policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2021-22 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 Outturn against 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

The accounts for 2021-22 have been prepared on a going concern basis, the period considered to be 12 months from the approval of these accounts, to July 2023. The department has a statutory basis for its function and related funding and there is no reason why this would not continue. In common with other government departments, the future financing of the Department's liabilities is to be met by future grants of Supply and Income, both to be approved annually by Parliament. The most recent funding to 31 March 2023 was approved on 12th May 2022. For financial years 2023-24 and 2024-25 expected funding levels are those included in the Comprehensive Spending Review 2021 (SR 21) which set Departmental budgets up to 2024-25. For these reasons it is 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 where material 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.

The Office does not have any land and building assets.

Valuation method

Non-property assets are included at cost upon purchase and are restated if material 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 or for leased assets, over the life of the lease or the period implicit in the repayment schedule. The useful lives of assets or asset categories are reviewed annually and any changes are discussed with the relevant authorities to ensure that budgeting implications have been properly considered. Where a change in asset life is agreed, the asset is depreciated on a straight-line basis over its remaining assessed life. Depreciation commences in the month following the acquisition of a non-current asset for land, buildings and dwellings and in-month for all other non-current assets.

Estimated useful asset lives are within the following ranges:

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.

1.7 Leases

Finance leases

The Wales Office does not have any finance 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 amortised 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 in real terms 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.

Provision for Liabilities and Charges

The provisions for liabilities and charges reported at note 10 reflect judgements about the likelihood that a future transfer of economic benefits will arise as a result of past events. Where the likelihood of a liability crystallising is deemed probable and where it is possible to quantify the effect with reasonable certainty, a provision is recognised. Where the likelihood of potential liabilities crystallising is judged to be possible, a contingent liability is disclosed.

Lease accounting

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

1.17 Impending application of newly issued accounting standards not yet effective

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

IFRS 16 Leases

IFRS 16 supersedes IAS 17 'Leases' and is generally effective for periods beginning on or after 1 January 2019. Implementation of IFRS 16 in the public sector has been delayed, Government departments are required to adopt IFRS 16 from 1 April 2022 in accordance with the FReM.

IFRS 16 represents a significant change in lessee accounting by removing the distinction between operating leases (off-statement of financial position

financing) and finance leases (on-statement of financial position financing) and introducing a single lessee accounting model.

IFRS 16 requires the recognition of all leases as finance leases with exemption given to low value leases and short-term leases, i.e., those with lease terms of less than 12 months. This will result in the recognition of a right of use asset, measured at the present value of future lease payments, and a matching liability in the Statement of Financial Position (SoFP).

The Office will be adopting IFRS 16 on the cumulative catch-up basis as mandated in the FReM, and therefore the cumulative impact on previous years' results will be recognised within equity at the beginning of the period. As such, the prior year comparative information will not be restated. Under Financial Statements 145 the 'grandfathering' rules mandated in the FReM for the initial transition to IFRS 16, a right of use asset and lease liability will be recognised for all relevant leases not previously recognised as finance leases for accounting purposes under IAS 17. The right of use asset is initially measured at cost (using the cost measurement model), which comprises the initial amount of the lease liability adjusted for payments already made, initial direct costs, prepayments or incentives, and costs related to restoration at the end of a lease.

The definition of a contract is expanded to include intra-UK Government agreements where non-performance may not be enforceable by law. This includes, for example, Memorandum of Understanding (MOU) agreements.

Impact of the new standard

The Office identified two intra Government agreements which meet the definition above of a lease. The agreements are Memorandum of Terms of Occupations (MOTOs) with the Government Property Agency (GPA) for Gwydyr House (London Office) and with HMRC for specified space in the UK Government Hub in Cardiff.

At the date of application of IFRS 16 the Office has no intention to exercise the break clauses in these agreements. The decisions on future occupancies are down to factors outside of our control, and as such it is not possible at this time to take a view on the future potential of vacating the buildings.

We have assessed the estimated impact of IFRS 16 on the Statement of Statement of Financial Position (SoFP) as at 1st April 2022 and on the Statement of Comprehensive Net Expenditure (SoCNE) for the financial year ending 31 March 2023. See tables 1 and 2.

The figures in the tables are for leases that have commenced as at 1st April 2022 with residual asset values and lease periods at that date. The Office applied the HM Treasury central internal rate of borrowing which on transition to IFRS 16 for the Office is 0.95%.

Table 1

Estimated impact on the SoFP arising from IFRS 16

Description	1 April 2022 £,000 Estimated
Right of use assets commenced at 1 April 2022 (NBV)	5,000
Total	5,000
Lease liabilities commenced at 1 April 2022	5,000
Total	5,000

Table 2

Estimated impact on the SoCNE arising from IFRS 16

Description	2021-22 £,000 Estimated	2022-23 £,000 Estimated	Increase/ Decrease expected £,000 Estimated
Asset depreciation	0	318	318
Interest expense on discounted lease liability	0	47	47
IAS 17 basis rental payments	356	0	(356)
Total	356	365	9

IFRS 17

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 2025, 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 2025-26.

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

2. Expenditure

	<u>31 March 2022</u>	<u>31 March 2021</u>
	<u>£000</u>	<u>£000</u>
*Staff Costs:		
Wages and Salaries	2,654	2,629
Social Security Costs	235	230
Other Pension Costs	539	548
Goods and Services:		
Accommodation, maintenance and utilities	1,273	507
**Communications, office supplies and services	56	158
Rentals under operating leases: land and buildings	587	223
Official cars hire	53	28
IT services & telecommunications (non-service concession arrangements)	32	48
Other contracted out services	13	15
Professional services	28	19
Travel and subsistence	60	20
Training and other staff related costs	19	5
Bank fees and charges	3	3
Other administration expenditure	9	3
Events and Conferences	7	-
Allocation of overheads	154	154
Lord Lieutenants' expenses	28	9
Non-cash items		
Depreciation	49	163
Revaluation	(4)	5
Write off of Property, Plant and Equipment	-	5
***Capital grants in kind to other Government Departments	5,000	-
****Auditors' remuneration and expenses	34	32
Provisions written back	(69)	(56)
Provision provided in year	-	59
Welsh Consolidated Fund		
Payover to the Welsh Consolidated Fund	19,942,334	21,800,257
Total Operating Expenditure	<u>19,953,094</u>	<u>21,805,064</u>

* Further analysis of staff costs is located in the Accountability Report (on page 60).

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

*** The capital grant in kind relates to the transfer of the London Office Gwydyr House to the Government Property Agency. The asset transfer has a nil impact on the Wales Office budget, with the opposite side of the transfer treated as a capital disposal (income). See SOPS 1.2 and SOPS Note 2.

**** The Wales Office did not purchase any non-audit services from the National Audit Office. (2020-21 nil)

3. Income

	<u>31 March 2022</u>	<u>31 March 2021</u>
	<u>£000</u>	<u>£000</u>
Income		
Rental income	99	117
Total Income	<u>99</u>	<u>117</u>

4. Property, Plant and Equipment

	Freehold Land	Freehold Buildings	Information Technology	Plant & Equipment	Furniture & Fittings	Total
	£000	£000	£000	£000	£000	£000
2021-22						
Cost or valuation						
At 1 April 2021	2,000	3,000	35	118	297	5,450
Additions	-	-	-	-	-	-
Disposals	(2,000)	(3,000)	-	(28)	(82)	(5,110)
Revaluations	-	-	-	10	7	17
At 31 March 2022	-	-	35	100	222	357
Depreciation						
At 1 April 2021	-	-	(13)	(39)	(250)	(302)
Charged in year	-	-	(5)	(20)	(24)	(49)
Disposals	-	-	-	28	82	110
Revaluations	-	-	-	(4)	(6)	(10)
At 31 March 2022	-	-	(18)	(35)	(198)	(251)
Net book value at 31 March 2022	-	-	17	65	24	106
Net book value at 1 April 2021	2,000	3,000	22	79	47	5,148
All assets are owned by the Wales Office	-	-	17	65	24	106

Transfer of Freehold Assets

In 2020, HM Treasury announced all government freehold properties were to transfer ownership to the Government Property Agency (GPA). The transfer was completed on the 1st April 2021 when the Wales Office transferred its London Office (land and buildings) to the GPA.

The transfer was completed at nil consideration.

4.a Property, Plant and Equipment

	Freehold Land £000	Freehold Buildings £000	Information Technology £000	Plant & Equipment £000	Furniture & Fittings £000	Total £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)
Impairment	-	-	-	-	-	-
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 Montagu 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% land and 60% buildings compared to the previous valuation of 61% land to 39% buildings. 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.

5. Cash and cash equivalents

	<u>31 March 2022</u>	<u>31 March 2021</u>
	<u>£000</u>	<u>£000</u>
Balance at 1 April 2021	80	37
Net change in cash and cash equivalents	(52)	43
Balance as at 31 March 2022	28	80

All balances were held with the Government Banking Service.

6. 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.

7. 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 2020	72,502
Loans repayable within 12 months transferred to receivables	(2,417)
At 1 April 2021	70,085
Loans repayable within 12 months transferred to receivables	(2,476)
Balance at 31 March 2022	67,609

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.

8. Trade Receivables and other current assets

	<u>31 March 2022</u>	<u>31 March 2021</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Trade receivables	-	75
VAT receivables	-	40
Deposits and advances	26	19
Other receivables	96	18
Prepayments and accrued income	-	35
Current part of NLF loan – interest receivable	257	264
Current part of NLF loan – capital	2,476	2,417
Total receivables	<u>2,855</u>	<u>2,868</u>

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

9. Trade Payables and other current liabilities

	<u>31 March 2022</u>	<u>31 March 2021</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due within one year:		
Other taxation and social security	117	118
VAT payables	3	-
Trade payables	1	14
Other payables	99	279
Accruals	474	493
Current part of NLF loan – capital	2,476	2,417
Current part of NLF loan – interest payable	257	264
Amounts issued from the Consolidated Fund for supply but not spent at year end	28	80
Total payables	<u>3,445</u>	<u>3,665</u>

	<u>31 March 2022</u>	<u>31 March 2021</u>
	<u>£000</u>	<u>£000</u>
Amounts falling due after more than one year:		
NLF loans	67,609	70,085
Total payables	<u>67,609</u>	<u>70,085</u>

10. Provisions for Liabilities and Charges

	Leasehold Dilapidation Costs	Onerous Lease Costs	Total
	£000	£000	£000
Balance as at 1 April 2020	61	235	296
Provided in year	59	-	59
Provision written back	-	(56)	56
Balance as at 1 April 2021	120	179	299
Provision utilised in year	(88)	(142)	(230)
Provision written back	(32)	(37)	(69)
Balance as at 31 March 2022	-	-	-

The leasehold dilapidation costs are the potential future sums payable as a consequence of vacating our lease at Caspian Point Cardiff to relocate to the new UK Government Hub in Cardiff.

In summer 2021, the Office relocated to the Cardiff Hub and the provisions were utilised.

10.1 Analysis of expected timing of discounted flows

	Leasehold Dilapidation 2021-22	Onerous Lease Costs 2021-22
	£000	£000
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Balance at 31 March 2022	-	-

	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

11 Contingent Liabilities under IAS 37

The Office has recently moved into the UK Government Hub in Cardiff for an indefinite period of time, and that at the current time it is not expected that there will be any future dilapidation costs around the lease should we choose to exit. However, there is a possibility that costs may be incurred in the future and this will be subject to annual review going forward.

12. Commitments under Leases

12.1 Operating Leases

Total future minimum payments under operating leases are given in the table below for each of the following periods

	<u>31 March 2022</u>	<u>31 March 2021</u>
	<u>£000</u>	<u>£000</u>
Obligations under operating leases for the following periods comprise:		
Buildings:		
Not later than one year	356	90
Later than one year but not later than five years	1,426	1
Later than five years	3,875	-
Balance as at 31 March 2022	<u>5,657</u>	<u>91</u>

The building leases relates to the Offices accommodation in London and Cardiff.

The increase in commitments is due to new operating leases following the transfer of the ownership of our London Office to the Government Property Agency and the relocation of our Cardiff Office from Caspian Point Cardiff to the new UK Government Hub in Cardiff.

12.2 Finance Leases

The Wales Office does not have any finance leases.

13. Capital Commitments

The Wales Office does not have any capital commitments.

14. Related party transactions

Associated Departments and other central Government bodies

The Wales Office transfers funding to 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, HMRC and the Government Property Agency.

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.

15. Events after the Reporting Period

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

On the 6th July 2022, the Rt. Hon Simon Hart MP stood down as Secretary of State for Wales. On the 7th July 2022, the Rt. Hon Sir Robert Buckland KBE QC MP was appointed as Secretary of State for Wales.

Appendix 1: Public Expenditure Core Financial Tables

TABLE 1

Spending by Wales Office & Welsh Government 2016-17 to 2022-23

	2016-17 Outturn £000	2017-18 Outturn £000	2018-19 Outturn £000	2019-20 Outturn £000	2020-21 Outturn £000	2021-22 Plans £000	2021-22 Outturn (7) £000	2022-23 Plans £000
Wales Office Expenditure								
Resource expenditure within Administration Costs	4,350	4,503	4,450	4,486	4,406	6,227	5,887	5,521
Other resource expenditure	163	178	183	195	276	136	77	136
Wales Office Resource (2)	4,513	4,681	4,633	4,681	4,682	6,363	5,964	5,657
Wales Office Capital	0	73	17	45	73	30	0	30
Wales Office Resource + Capital DEL (2)	4,513	4,754	4,650	4,726	4,755	6,393	5,964	5,687
<i>less depreciation & impairments</i>	<i>-109</i>	<i>-126</i>	<i>-141</i>	<i>-157</i>	<i>-163</i>	<i>-75</i>	<i>-49</i>	<i>-407</i>
Wales Office DEL (3)	4,404	4,628	4,509	4,569	4,592	6,318	5,915	5,280

Welsh Government Expenditure (The Welsh Block)(6)

Resource (8)	13,325,208	14,001,757	14,010,896	12,858,683	18,623,377	18,087,431	16,238,852	17,055,817
Capital	1,449,083	1,821,285	2,036,807	2,131,160	3,297,143	3,164,964	3,032,646	2,982,296
Total Resource + Capital	14,774,291	15,823,042	16,047,703	14,989,843	21,920,520	21,252,395	19,271,498	20,038,113
<i>less depreciation & impairments</i>	<i>-253,397</i>	<i>-708,262</i>	<i>-703,761</i>	<i>-768,478</i>	<i>-1,057,423</i>	<i>-1,582,490</i>	<i>183,221</i>	<i>-1,782,731</i>
Welsh Government DEL (3)(5)	14,520,894	15,114,780	15,343,942	14,221,365	20,863,097	19,669,905	19,454,719	18,255,382

(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 2020-21:
Provision & Final Outturn**

	Original Provision £000	Final Provision £000	Final Outturn £000
Expenditure Classified as DEL⁽²⁾	17,805,901	23,272,427	21,920,520
Expenditure Classified as AME	1,021,289	1,219,795	1,029,077
Expenditure Financed by Welsh Taxes	2,455,467	2,374,312	2,411,897
Expenditure Financed by Capital Borrowing	125,000	125,000	0
Non Domestic Rates	1,136,000	804,000	699,021
Total Managed Expenditure	22,543,657	27,795,534	26,060,515
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	210,510
Landfill Disposal Tax	34,153	28,187	31,719
Repayment of principle 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	1,057,423
AME Non-cash	333,950	483,364	116,281
TOTAL NON VOTED TME	3,698,008	4,612,205	3,678,117
TOTAL VOTED TME	18,845,649	23,183,329	22,382,398
Voted receipts			
Contributions from the National Insurance Fund	-1,087,533	-1,279,682	-1,279,682
NDR Receipts	-1,327,527	-1,112,494	-1,112,494
Timing Adjustments			
Increase / Decrease in Debtors & Creditors	0	0	-232,813
Use of Provisions	0	0	-138,761
Movements in balance on consolidated fund	0	0	11,941
Cash Grant payable to Welsh Consolidated Fund by Wales Office⁽³⁾	16,430,589	20,791,153	19,630,589
<i>Welsh Rate of Income Tax</i>	2,169,668	2,169,668	2,169,668
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) 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 2021-22:
Provision & Provisional Outturn**

	Original Provision £000	Final Provision £000	Provisional Outturn £000
Expenditure Classified as DEL⁽²⁾	20,367,193	21,252,395	19,271,498
Expenditure Classified as AME	1,146,810	1,429,806	1,117,147
Expenditure Financed by Welsh Taxes	2,325,370	2,474,236	2,476,653
Expenditure Financed by Capital Borrowing	150,000	113,000	0
Non Domestic Rates	1,101,000	721,500	636,805
Total Managed Expenditure	25,090,373	25,990,937	23,502,103
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	2,064,061	2,064,061	2,064,061
Land Transaction Tax	230,998	367,246	367,246
Landfill Disposal Tax	32,728	45,346	45,346
Repayment of principal of loans	-2,417	-2,417	-2,417
Capital Borrowing	150,000	113,000	0
<i>Non-Cash:</i>			
Resource Ringfenced Non Cash	1,519,960	1,582,490	-183,221
AME Non-cash	366,605	583,519	136,697
TOTAL NON VOTED TME	4,456,813	4,848,123	2,522,590
TOTAL VOTED TME	20,633,560	21,142,814	20,979,513
Voted receipts			
Contributions from the National Insurance Fund	-1,313,819	-1,412,088	-1,412,088
NDR Receipts	-1,069,958	-1,040,053	-1,040,053
Timing Adjustments			
Increase / Decrease in Debtors & Creditors	0	108,453	-649,099
Use of Provisions	0	0	0
Cash Grant payable to Welsh Consolidated Fund by Wales Office	18,249,783	18,799,126	17,878,273
<i>Welsh Rate of Income Tax</i>	<i>2,064,061</i>	<i>2,064,061</i>	<i>2,064,061</i>
Total cash requirement including Welsh Rate of Income Tax	20,313,844	20,863,187	19,942,334

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 2022-23**

	2022-23
	£000
Expenditure Classified as DEL (Block Grant) ⁽²⁾	20,038,113
Expenditure Classified as AME	1,272,584
Expenditure Financed by Welsh Taxes	2,887,313
Expenditure Financed by Capital Borrowing	150,000
Expenditure Financed by Non Domestic Rates	1,030,000
Total Managed Expenditure	25,378,010
<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	2,477,747
Land Transaction Tax	380,542
Landfill Disposal Tax	35,188
Repayment of principal of loans	-6,164
Capital Borrowing	150,000
Resource Ringfenced Non Cash	1,782,731
AME Non-cash	599,441
Sub-Total	5,514,363
TOTAL SUPPLY EXPENDITURE	19,863,647
Less receipts	
Contributions from the National Insurance Fund	1,065,765
NDR Receipts	2,338,106
Cash Grant payable to Welsh Consolidated Fund by Wales Office	16,459,776
<i>Welsh Rate of Income Tax</i>	<i>2,477,747</i>
Total cash requirement including Welsh Rate of Income Tax	18,937,523

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

ISBN 978-1-5286-3485-4

E02761218