



Wales Office
Swyddfa Cymru

Wales Office

Annual Report and Accounts 2025-26



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(For the year ended 31 March 2026)

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1 The Performance Report

Ministerial Foreword

Over the past year, the Wales Office has played a central role in driving forward the UK Government's priorities in Wales, delivering investment, supporting public services and strengthening the foundations for long-term growth. As Secretary of State for Wales, I am focused on ensuring that the UK Government's programme to build a stronger, fairer Britain translates into tangible, positive outcomes for people and communities across Wales.

Our ambitious agenda for economic growth is focused on securing and creating jobs and tackling the cost of living. Wages have risen, employment has increased, and economic inactivity has fallen. At the same time, significant investment has been secured which is helping to create the conditions for businesses to grow and for communities to prosper.

We have also ensured that Wales benefits from a strengthened funding settlement. The UK Government is providing the Welsh Government with nearly £6.5 billion in additional spending power as a result of changes to the fiscal framework, extra funding through Barnett and the largest settlement in the history of devolution. Furthermore, the UK Government made a commitment of up to £14 billion to transform rail infrastructure in Wales that will improve connectivity, drive growth and create jobs.

Our Modern Industrial Strategy is enabling investment across Wales, building on regional strengths from aerospace in North Wales to the world-leading compound semiconductor cluster in South Wales. We are ensuring that businesses and investors benefit from the Industrial Strategy through access to finance, innovation funding and reduced energy costs. We're also championing opportunities in clean energy and securing the UK's energy independence including the development of floating offshore wind and investing in new nuclear at Wylfa to bring jobs and investment to North Wales.

Welsh steelmaking now has a secure and bright future. In addition to the £500 million contribution to build an Electric Arc Furnace at Port Talbot, we have also taken decisive action to support communities undergoing industrial transition to cleaner technologies with the £102 million of funding made available through the Transition Board that I chair. This is supporting workers, businesses and supply chains affected by changes to steel production in Port Talbot.

We have also announced more than half a billion pounds in local growth funding. Taken alongside the four City and Regional Growth Deals, Investment Zones, Freeports, and Pride in Place, this represents a combined investment of over £1.7 billion to boost growth and create jobs right across Wales. At the same

time, we are working closely with partners to ensure that vital investments – including those supporting the safety of coal tips – are delivered effectively.

This report sets out in more detail the significant progress we have made over the past year. I am proud of what has already been achieved, and I remain focused on the work ahead. My priority in the coming year will be to ensure that momentum is sustained and that the benefits of growth and investment are realised and felt across every part of the nation. Through partnership working my department will continue to ensure that UK Government investment is targeted, delivery is effective, and outcomes are sustained, ensuring that Wales thrives as part of a fairer and stronger United Kingdom.

Rt. Hon Jo Stevens MP
Secretary of State for Wales

Director's Introduction

This is my first Annual Report as Director of the Wales Office, and I am proud to present a record of the department's work over the past year. It has been a year of significant delivery, underpinned by the commitment and professionalism of our staff, and I am grateful to my predecessor for the strong foundations he established.

The Wales Office plays a unique role, supporting the Secretary of State in representing Wales within the UK Government and ensuring that UK Government priorities are delivered effectively across Wales. Over the past year, our focus has been on translating those priorities into practical outcomes – supporting economic growth, strengthening public services, and ensuring that investment reaches communities across the country.

We have worked closely with partners across the UK Government, the Welsh Government, and beyond to secure and deliver substantial investment in Wales. This includes supporting major programmes in infrastructure, energy, and local growth, as well as ensuring that Wales benefits from a strengthened fiscal settlement. The scale of this investment reflects the importance of Wales to the UK's wider economic ambitions, and the Wales Office has played a central role in shaping and enabling that delivery.

A key priority for the department has been supporting economic transition and opportunity. From the future of steelmaking in Port Talbot to the development of clean energy and advanced manufacturing, we have worked to ensure that UK Government interventions are targeted, coordinated and responsive to local needs. We have also continued to champion the distinctive strengths of Wales – from its industrial heritage to its growing role in emerging sectors – helping to attract investment and create the conditions for long-term growth.

Alongside this, we have maintained a strong focus within the Office on effective governance, accountability and value for money. As a small department, we rely on close collaboration, clear priorities and rigorous financial management to deliver our objectives. Over the past year, we have continued to strengthen our internal capability, improve our systems and processes, and ensure that we meet the highest standards of public service.

None of this would have been possible without the dedication and expertise of our people. I have been consistently impressed by the professionalism, agility and commitment of colleagues across the Wales Office. Whether working on complex policy issues, supporting ministerial engagement, or delivering vital programmes, their work reflects the very best of the Civil Service.

Looking ahead, our priorities are clear. We will continue to support the delivery of the UK Government's programme in Wales, ensuring that investment translates into tangible benefits for people and communities. We will deepen our partnerships across governments and sectors, strengthen our capability as a department, and maintain a relentless focus on delivery and outcomes.

I am confident that the Wales Office is well placed to meet these challenges. By building on the progress made this year, we will continue to play our part in ensuring that Wales thrives as part of a stronger and more prosperous United Kingdom.

A handwritten signature in black ink, reading 'Ciarán Hayes' in a cursive script.

Ciarán Hayes
Director

Departmental Overview

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

1. Kickstart economic growth in Wales
2. Unlock Wales' green energy potential
3. Support people and public services in Wales
4. Ensure that Welsh Devolution works effectively for the people of Wales

Priority Outcome 1 – Kickstart Economic Growth in Wales – Boosting economic growth in Wales through the Industrial Strategy and maximising its economic strengths to improve the economic outlook for Wales.

i. Industrial Strategy

The Office has been working closely across Whitehall and with the Welsh Government on the development and implementation of the Modern Industrial Strategy, which was launched in June 2025. During the development stage the Office conducted in depth analysis of the Welsh Economy, identifying key sectors and key opportunities for economic growth. These strengths were highlighted in the Industrial Strategy with Welsh strengths aligning to the eight growth driving sectors.

The Office continues to work with stakeholders to ensure that the Industrial Strategy benefits businesses and people across Wales. The Industrial Strategy announced numerous UK-Wide and Wales-specific interventions, for example: the slashing of regulation; a boost to R&D funding; a new Defence Growth Deal for Wales; a new centre for Doctoral Training in Compound Semiconductors led by Swansea University; a new British Business Bank Cluster Champion and; £30m for a Local Innovation Partnership for Cardiff Capital Region.

The Compound Semiconductor Cluster is a key industry for Wales with large growth potential. The Office has been working closely with the Department for Science, Innovation and Technology (DSIT), Office for Investment (OFI), Department for Business and Trade (DBT) and the Welsh Government to ensure the Compound Semiconductor Cluster is supported. The Industrial Strategy announced a new centre for doctoral training in semiconductor skills led by

Swansea University and backed with £10m of funding. The Office also worked to secure £10m for semiconductor activity in South Wales, announced at the Autumn Budget. The Office has also been working closely with the Ministry of Housing Communities and Local Government (MHCLG) on the operationalisation of the Cardiff and Newport Investment Zone, with a focus on Compound Semiconductors.

The Office worked closely with DSIT on the AI Growth Zone (AIGZ) programme. Wales was successful in securing two AIGZs, one in South Wales and one in North Wales, backed with £5m investment each. This will establish North Wales as a leading location for AI development with a total of 3,450 new jobs. The South Wales AIGZ will create more than 5,000 new jobs for local communities over the next decade. South Wales is already the home of a growing tech industry and this major investment in the region will help cement the UK's place as a global leader in AI.

The Office also worked with DSIT on the Local Innovation Partnership Fund (LIPF) which aims to grow high potential innovation clusters across the UK. Wales will receive two, a £30m Local Innovation Partnerships Fund LIPF award to Cardiff Capital Region and up to £20m for Southwest Wales.

The Office worked closely with the Office for Life Sciences on the Life Sciences sector plan. This included extensive engagement with the Life Sciences sector in Wales during the development of the plan to ensure it delivers for Welsh stakeholders.

The defence sector is a key industry for Wales with large growth potential. As part of the department's work to support the industry in Wales, the Office has been working closely across Whitehall and with the Welsh Government on the development of a Defence Growth Deal for Wales to ensure Welsh strengths across the defence, aerospace, and dual-use industry are reflected in the deal.

In February 2025, the Secretary of State signed a £50m Wales Defence Growth Deal alongside the Secretary of State for Defence and the First Minister of Wales. Backed by £50m of UK Government funding, the Deal will focus on developing Wales' strengths in autonomous technology, dual-use industry, and improving access for Welsh SMEs to secure defence contracts.

The Wales Defence Growth Deal also includes a commitment from UK Government to work collaboratively with the Welsh Government to establish a new Defence Technical Excellence College by September 2027 to train the next generation of defence engineers. The Deal forms part of the wider UK Defence Industrial Strategy, which aims to expand the UK's defence industrial base and increase defence spending to 2.6% of GDP from 2027, rising to 5% of GDP on national security by 2035.

The Office has built strong working relationships with the Ministry of Defence, the Welsh Government and industry throughout the development of the Deal and is represented on the Executive Board responsible for overseeing development of the Deal as it moves into its delivery phase.

The Secretary of State also supported the launch of the Wales Defence and Security Cluster which will complement the Defence Growth Deal and help shape the future of defence in Wales. The Cluster is a nationally coordinated, triple-helix partnership supported by the Ministry of Defence and UK Defence Innovation, bringing together industry, academia and government to enable defence and security innovation, capability development and economic growth.

The Office has continued to work with the Department for Business and Trade and Department for Transport (DfT) to respond to pressures faced by the automotive sector in transitioning to zero emission vehicle manufacturing and global trade disruption. At Autumn Budget 2024, £2 billion in support for automotive manufacturers was announced over the next five years

ii. Steel & the Port Talbot Transition Board

The Office worked closely with the Department for Business and Trade to support Tata Steel UK (TSUK) transition to electric arc furnace (EAF) steelmaking at Port Talbot. This followed the improved agreement reached between DBT and TSUK in September 2024 to provide £500 million in grant funding toward TSUK's overall £1.25 billion investment to secure the continuation of steelmaking at Port Talbot.

The Modern Industrial Strategy, launched in June 2025, provided enhanced energy cost support for Welsh steelmakers among other sectors through the British Industry Supercharger scheme with an uplift from 60% to 90% in the Network Charging Compensation scheme. The Industrial Strategy also announced the British Industrial Competitiveness Scheme (BICS), supporting thousands of businesses across the IS-8 sectors including the steel supply chain to reduce electricity costs by £35-40 per MWh from 2027. NB the BICS was later expanded in April 2026 to provide support to circa 10,000 businesses, a 40% increase.

In March 2026, the Office supported the launch of the UK Government Steel Strategy, which includes strengthened trade defences to protect domestic steelmakers including TSUK and 7 Steel in Wales from unfair competition as a result of subsidised and high emission steel imports. The Strategy also reaffirmed UK Government's commitment to investment and growth in the steel industry supported by the National Wealth Fund (NWF). The Office will continue to play a key enabling role in steel investment, including through an initiative led by the Secretary of State to work with the National Wealth Fund and private sector to identify and nurture investment opportunities in the steel and associated sectors.

The Office has continued to work closely across Whitehall, with the Welsh Government and with Neath Port Talbot Council through the Port Talbot / Tata Steel Transition Board, chaired by the Secretary of State for Wales and deputy chaired by the Welsh Government Cabinet Secretary for the Economy. The Board was established to support workers, businesses and communities affected by Tata Steel UK's transition to electric arc furnace steelmaking at Port Talbot.

In December, the Secretary of State announced an additional £22 million of UK Government funding for the Transition Board, bringing total funding to £122 million (£102 million from the UK Government and £20 million from Tata Steel UK). This uplift reflected strong demand across the Board's business-focused funds and reinforced the Government's continued commitment to supporting economic resilience and growth in Port Talbot.

To date, Transition Board funding has supported 60 companies in Tata Steel UK's supply chain, provided grants to 140 local businesses, enabled the creation of 85 new businesses, and funded over 2,500 training courses and 1,100 qualifications and accreditations. Despite more than 2,600 job losses at Tata Steel UK, and further impacts across the supply chain, there has been no increase in unemployment benefit take up in the region since September 2024 until the end of March 2026. Additionally, independent research by More in Common in January 2026 identified the work of the Transition Board as the most positively perceived government intervention in Wales.

In February, the final Transition Board intervention - the Economic Growth and Investment Fund - opened to applications. The £11.78 million fund (£6.78 million from the UK Government and £5 million from Tata Steel UK) is designed to attract long term investment and support the creation of high-quality jobs in the area.

Alongside delivery of the Transition Board funds, the Wales Office has continued to work with MHCLG, Department for Work and Pensions (DWP), the Welsh Government and Neath Port Talbot Council to monitor delivery and support wider regeneration and investment opportunities, including through the NWF, floating offshore wind, and the Celtic Freeport.

iii. Trade and foreign investment

Securing investment into Wales was a key priority for the Office during 2025-26. The Office supported collaboration between the expanded Office for Investment, Department for Business & Trade and the Welsh Government to bring an increased focus on UK Government support for inward investment into Wales.

In June, results released by the Department for Business & Trade indicated that at least 2,470 new jobs were created through inward investment into Wales during 2024-25, a 30% increase year-on-year and indicating that Wales landed above its population share in overall UK inward investment.

In May, the Wales Office supported the Office for Investment, Welsh Government, North Wales Growth Deal and Flintshire County Council to attract a new investment from Knauf Insulation into Shotton, totalling £170 million and delivering 140 direct jobs with further employment in the supply chain. In May, the Office supported investment in the growing pharmaceuticals sector from Norgine into Caerphilly, delivering over 40 new skilled jobs.

In November the Office highlighted Welsh investment opportunities at the UK Government's Regional Investment Summit and in December the

Office supported the Welsh Government's Wales Investment Summit, which followed over £16 billion inward investment committed to Wales in the year proceeding the Summit.

The Office has continued to promote Welsh exports and inward investment opportunities across the globe. In July, the Secretary of State visited Toronto and New York to meet with businesses, investors and diaspora to promote Wales for inward investment and build business links. During the visit, the Secretary of State promoted the Wales Investment Summit and nurtured links with investors and diaspora groups to support the work of DBT, Foreign Commonwealth and Development Office (FCDO) and Welsh Government in identifying and landing inward investment into Wales. The Secretary of State also supported the expansion of Welsh exporters into the USA, including Wrexham Lager.

The Office has supported the Department for Business and Trade in securing key trade deals for the benefit of the Welsh economy.

In May, the UK Government reached an agreement with the European Union including measures to reduce trade friction for Welsh food and animal exporters.

Also in May, the UK Government signed an Economic Prosperity Deal with the United States. This deal delivered reduced tariffs including for Welsh car and pharmaceuticals exporters.

In July, the UK Government signed a new trade deal with India, delivering reduced tariffs on Welsh exports including food, whisky, cars and video games.

In December, the UK Government signed a trade deal with the Republic of Korea, securing reduced trade barriers for key Welsh exports including cars.

At Spending Review 25 the Wales Office secured additional funding to support the promotion of Welsh Trade and Investment opportunities. We have worked closely with the Department for Business and Trade to design and develop a programme of work that sits alongside and augments existing activity in this space. We have set up all the necessary governance requirements, enabling delivery from the beginning of the 2026/27 financial year. The Secretary of State formally launched the programme of work in March as part of the annual St David's Day reception.

The Office continued to work closely with the UK Government and Welsh Government public finance institutions (PuFIs) to support investment in Wales. This included reaching the milestone of £20 million invested through the British Business Bank's Investment Fund for Wales to support the growth of indigenous Welsh SMEs. The Office supported the National Wealth Fund during the fund's first year of operation to explore and progress investment opportunities in Wales across key industries including clean energy, steel and infrastructure.

iv. Place based investment

Supporting City and Regional Growth Deals in Wales

The Wales Office continued to lead for the UK Government on the four City and Regional Growth Deals across Wales during 2025–26. This involved close collaboration with UK Government departments, the Welsh Government and local authority partners across the four Deal regions: North Wales, Mid Wales, Swansea Bay and the Cardiff Capital Region.

The Wales City and Growth Deal Implementation Board — co-chaired by senior officials from the Wales Office and the Welsh Government — remained central to joint oversight. Meeting quarterly, the Board monitored delivery against agreed milestones, managed key risks and issues, and supported the sharing of best practice across regions. Each meeting included a focused deep dive on an individual Deal, enabling more detailed discussion of delivery progress, challenges and emerging opportunities.

Wales Office officials continued to represent the UK Government at programme boards across all four Deals, ensuring strong alignment between regional delivery and UK Government priorities. The Regional Growth Team maintained regular engagement with Portfolio Management Offices (PoMOs), supporting delivery, strengthening assurance processes and working collaboratively to address risks and maximise the impact of investments.

Swansea Bay City Deal (SBCD)

The Office continued to work closely with the Welsh Government and the Swansea Bay City Deal Portfolio Office as the Deal progressed delivery across its programme during 2025–26.

Key developments included:

- The Innovation Matrix in Swansea became fully operational, supporting business growth, innovation activity and collaboration between industry and academia.
- Continued progress on SWITCH in Port Talbot, with construction advancing towards completion.
- Canolfan Pentre Awel was opened in Llanelli, with further phases progressing across its health, research, business and community infrastructure elements.
- Further expansion of the pan-regional Skills and Talent Programme, supporting a growing portfolio of projects across priority sectors including digital, construction, energy, advanced manufacturing, and health and wellbeing.
- Continued strengthening of governance, assurance and benefits realisation across the portfolio.

North Wales Growth Deal (NWGD)

The Office worked closely with the North Wales Growth Deal Portfolio Management Office (PoMO) and the Welsh Government throughout 2025–26 to support strengthened delivery arrangements following the Portfolio Assurance Review (PAR). Progress was made in implementing key recommendations, including governance improvements and the appointment of a Senior Responsible Owner (SRO).

Highlights during the year included:

- Opening of the Enterprise Engineering and Optics Centre (EEOC) at Wrexham University, supporting advanced manufacturing, photonics and composite technologies.
- Progression into delivery of projects following Full Business Case approval, including Cydnerth, Parc Bryn Cegin, the Clean Energy Fund and 4G+ connectivity.
- Further embedding of the Deal within the North Wales Corporate Joint Committee (NWCJC) framework.
- Continued improvements to portfolio management and delivery confidence.

Cardiff Capital Region City Deal (CCR)

The Office continued to support delivery of the Cardiff Capital Region City Deal during 2025–26, with sustained progress in innovation, regeneration and inclusive economic growth.

Key achievements included:

- Continued investment through the £50 million Innovation Investment Fund, supporting high-growth SMEs in sectors such as fintech, artificial intelligence and health technology.
- Further progress in redevelopment activity at the Aberthaw Power Station site, including planning, environmental and infrastructure work.
- Ongoing investment through Innovation Investment Capital, supporting businesses including Space Forge and Transcend Packaging, alongside additional targeted investments in companies such as Whisper Cymru.
- Continued embedding of Corporate Joint Committee (CJC) governance arrangements to support regional decision-making and long-term planning.

Mid Wales Growth Deal (MWGD)

The Office continued to proactively support the Mid Wales Growth Deal as it progressed further into delivery during 2025–26. Key developments included:

- Advancement into delivery of projects following Full Business Case approval, including the Elan Valley scheme and the Mid Wales Commercial Property Fund.
- Further strengthening of the Portfolio Management Office, drawing on best practice from across Wales to enhance delivery capability and governance.
- Continued development of the project pipeline across the Deal's five strategic themes: Applied Research and Innovation; Agriculture, Food and Drink; Digital; Tourism; and Supporting Enterprise.
- Ongoing work to refine benefits realisation and ensure long-term economic impact across Mid Wales.

Supporting Local Growth in Wales

During 2025–26, the Office supported the successful transition from the UK Shared Prosperity Fund, which closed in March 2026, to the new Local Growth Fund for Wales. The Fund was launched following agreement between the UK Government and Welsh Government on a three-year Investment Plan, providing £546.5 million from April 2026 to March 2029 to support jobs, productivity and regional growth across Wales.

The agreement restores decision-making on post-EU regional investment to Wales, with the Welsh Government leading delivery in partnership with local government, regional partners and the UK Government. The Wales Office worked closely with Welsh Government counterparts to support the agreement, underpinned by a Memorandum of Understanding, helping ensure a smooth transition from UKSPF and a shared approach that aligns the UK Government's growth mission with the Welsh Government's Economic Mission.

The reporting year also saw a significant expansion of the Pride in Place Programme in Wales. In September 2025, the UK Government announced a further £214 million Pride in Place funding package for Wales. This comprised £180 million to bring nine additional Welsh areas into the Pride in Place Programme — with each receiving up to £20 million over ten years — alongside £34.5 million through the new Pride in Place Impact Fund, providing capital funding to every local authority in Wales for practical improvements to public spaces and community assets.

The nine additional areas — Blaenau Gwent, Neath Port Talbot, Newport, Rhondda Cynon Taf, Caerphilly, Carmarthenshire, Conwy, Cardiff and Swansea — joined the five Welsh communities already selected, bringing the total number of Welsh communities receiving long-term Pride in Place support to 14. The Wales Office has continued to work with MHCLG, Welsh Government and

local partners to support delivery and ensure the programme complements existing regeneration activity in Wales

The Office worked closely with MHCLG and the Welsh Government to deliver the Anglesey Freeport and Celtic Freeport. The two Freeports will deliver capital investment and tax reliefs on Anglesey, Port Talbot and Milford Haven with the objective of attracting additional investment and jobs.

In March 2026, both Freeports finalised their memoranda of understanding with MHCLG and Welsh Government, facilitating the release of £25m to each Freeport to invest in projects to enable economic growth. This marked the final stage of the Freeports becoming operational.

The Office continued to work with MHCLG to operationalise the two Welsh Investment Zones. The Cardiff & Newport Investment is expected to create 4,000 new jobs and attract £500m in private investment. The Wrexham and Flintshire Investment Zone which is expected to attract £1 billion of private sector investment and create 6,000 jobs. The Investment Zones will also benefit from measures to enhance them through the Industrial Strategy Zones Action Plan.

The Office is working closely with the Welsh Government, Neath Port Talbot Council and across Whitehall on the 'Place Based Business Case', announced by the Chancellor, for Port Talbot. The conclusions of the Greenbook review were published in June, which included the introduction of place-based business cases that will galvanise departments across Whitehall and highlight the reinforcing effects of different investments within an area.

v. Innovation

The Office has been working with UKRI and Universities Wales to maximise the impact of UK Research and Innovation (UKRI) funding in Wales. Minister McMorris met with the Chair of Universities Wales, Vice-Chancellors of Welsh Universities and the Chief Executive Officer of UKRI to discuss R&D in Wales and how best UK Government can support the sector in Wales.

vi. Infrastructure

The Office has worked collaboratively with the Department for Transport, the Welsh Government, and key stakeholders through the Wales Rail Board to progress rail infrastructure investment proposals across Wales. In February 2025, the Prime Minister announced a historic £14bn commitment to transform rail connectivity across Wales, endorsing Transport for Wales' vision document 'Today, Tomorrow, Together'. The vision sets out a long-term pipeline of rail enhancements across Wales and the Borders, with the total value of schemes under consideration estimated at up to £14 billion.

This is a generational commitment to a pipeline of 43 projects spanning North, South, Mid and West Wales. The programme will directly create over 1,000 permanent new jobs and around 6,000 new jobs during construction,

alongside significant wider employment across industries that depend on an improved transport network.

The vision will form the basis of the Wales Rail Board's pipeline of projects and is intended to guide UK Government investment, prioritisation and delivery over the coming decades, helping to shape future funding decisions. The Wales Rail Board is an intergovernmental board, with membership including Welsh and UK Governments, TfW and Network Rail. The UK Government has committed to working in partnership with the Welsh Government to deliver this vision at pace.

The Office played a key role in securing this commitment, which builds on the £445m allocated to Welsh rail enhancements at the 2025 Spending Review. This funding will support the delivery of seven new stations across Wales alongside a broader package of rail upgrades. This includes starting work on all five Burns stations in South Wales this year, including Magor and Undy, Llanwern, Cardiff East, Newport West and Somerton. In addition, the UK Government has agreed an approach to fund and deliver a new station at Cardiff Parkway in partnership with Welsh Government and private investors, supporting a further 6,000 jobs at its industrial site.

The Office has also worked closely with Welsh Government and the North Wales Growth Deal – Ambition North Wales – who have agreed to co-fund improvements to the main line arrangements into Padeswood cement works freight facility. This collaboration has enabled the UK Government to allocate additional investment for North Wales to deliver an additional station to service Deeside Industrial Park, as well as safety, capacity and line speed improvements at Buckley.

Rail Reform

The Office has also continued to work with the Department for Transport and Welsh Government to support coordination on rail reform, as plans for Great British Railways progress. A new Memorandum of Understanding was published between the UK Government and Welsh Government in March 2025, marking a significant milestone in rail reform in the Wales and Borders area, outlining how both governments will work together on rail reform. The MoU reflects the strong and constructive collaboration between the UK Government, the Welsh Government, Network Rail and Transport for Wales.

The Office has continued to work with colleagues in the Department for Science, Innovation and Technology and Building Digital UK to improve digital connectivity in Wales. Most notably Project Gigabit has continued delivery in its contract award phase, with around 60,000 hard-to-reach premises across Wales set to benefit from gigabit coverage through the Project Gigabit cross-regional framework contract with Openreach. Access to gigabit-capable coverage now extends to 79% of premises in Wales.

On mobile connectivity, the Shared Rural Network continued to deliver in Wales with more Government-funded (Home Office Extended Area Service) masts coming on stream during the reporting period, reaching a total of 50 masts in Wales by March 2026.

Priority Outcome 2 – Unlock Wales’ green energy potential, securing jobs and investment as the UK transitions to a net zero economy.

The Secretary of State for Wales regularly meets key stakeholders within the energy sector to support the decarbonisation of industries across Wales and accelerate renewable and low carbon energy production, enabling Wales to play a key role in the UK achieving clean power by 2030.

This year has seen positive progress across a number of the Wales Office’s energy priorities. This includes securing Small Modular Reactor deployment at Wylfa; up to £64m UK Government investment to transform Port Talbot port into a floating offshore wind hub; and a number of major projects securing contracts in Allocation Round 7 of the UK Government’s Contracts for Difference scheme.

i. Actively support collaborative working between Great British Energy, the Welsh Government and wider energy stakeholders in Wales

Great British Energy established a partnership with The Crown Estate in 2024 to accelerate offshore wind development, including floating offshore wind, with the potential to unlock 20-30GW of new seabed leases by 2030 by combining Great British Energy’s investment capability with The Crown Estate’s seabed management and leading expertise. This partnership could leverage up to £60bn of private investment into the UK’s drive for energy independence. The Wales Office continues to engage with The Crown Estate, Great British Energy and Department for Energy, Security and Net Zero (DESNZ) to ensure that Wales’ interests are supported through this work.

In December 2025, Great British Energy published its Strategy Plan which sets out how the company will work across the whole of the UK, including Wales. The Plan highlights how the Celtic Sea is positioned to be a hub for deepwater offshore wind supply chains and development.

In February, Great British Energy published its Local Power Plan, which commits up to £1 billion of funding to expand local and community owned clean energy projects across the UK. In line with this, Great British Energy and the Welsh Government agreed over £9 million of funding in 2025 to install solar panels on schools, leisure centres and museums across Wales, comprising £2.8 million announced in March and a further £6.6 million confirmed later in the year.

ii. Work to maximise jobs and economic growth in Wales from the floating offshore wind (FLOW) industry.

The Office continued to work closely with local partners, DESNZ and The Crown Estate to support the development of the floating offshore wind industry in Wales. Floating Offshore Wind projects in the Celtic Sea present huge job and supply chain opportunities along the South Wales coast.

The Office has continued to work closely with The Crown Estate to support progress on Leasing Round 5, which will deliver up to 4.5GW of floating offshore wind projects in the Celtic Sea. This year, The Crown has signed Agreements for Lease with three developers to deploy floating offshore wind projects in the Celtic Sea, marking positive progress. The Crown Estate's Celtic Sea Blueprint identifies that Leasing Round 5 has the potential to unlock up to 5,300 jobs and provide a £1.4bn boost to the economy. The Crown Estate has also continued to invest in supply chain development in South Wales through their £50m Supply Chain Accelerator and the Fit for Offshore Renewables programme, which was launched in July 2025.

In June, the UK Government launched a £1 billion Clean Energy Supply Chain Fund to deliver offshore wind jobs in Britain. This funding includes £300m from Great British Energy, £400m from The Crown Estate to support new infrastructure and research and testing facilities, and £300m being developed by the offshore wind industry to match fund government through the Industrial Growth Plan.

In January, the UK Government announced the results of Allocation Round 7 of the Contracts for Difference scheme. This auction round for offshore wind was the most successful in European history. This round saw Erebus, Wales' first floating offshore wind farm off the Pembrokeshire coast, securing a contract. Erebus is expected to support over 600 jobs during construction, 500 supply chain roles, and will play a key role in kickstarting this new industry in South Wales. Allocation Round 7 also secured a contract for RWE's Awel y Môr project in North Wales, the first Welsh fixed offshore wind project to win a contract in over a decade. This project is expected to deliver around 2,000 construction jobs and 50 delivery roles. The Secretary of State visited the project team in North Wales following this announcement to hear about the project and meet with apprentices.

In March, the Secretary of State visited Associated British Ports (ABP) Port Talbot alongside DESNZ's Minister McCluskey to announce up to £64 million of government investment to develop Port Talbot as the first port in the Celtic Sea specifically developed to support floating offshore wind. This investment is a major step in unlocking floating offshore wind in the Celtic Sea, and securing jobs and investment in South Wales. ABP expect that, once completed, the new port will support thousands of jobs and unlock over £500 million in investment for Port Talbot.

iii. Actively support the decarbonisation of industry, including promoting the South Wales Industrial Cluster through Net Zero Industry Wales and HyNet North West.

In 2024, UKG announced up to £21.7bn of available funding over 25 years to launch the HyNet North West Cluster (covering North West England and North East Wales) and the East Coast Cluster – becoming the first of a kind CCUS clusters in the UK. The Office continues to work with DESNZ and industry to ensure the HyNet Cluster is a successful cross border initiative, with projects in Wales benefiting from the process.

In September 2025, Heidelberg Materials' cement works in Padeswood signed final contracts with UKG to begin construction of the UK's first carbon capture-enabled cement plant. Padeswood will deploy world-leading technologies to remove 800,000 tonnes of CO₂.

In August 2025, the Department for Energy Security and Net Zero (DESNZ) also announced six shortlisted projects joining negotiations for the HyNet cluster – including Connah's Quay Low Carbon Project in North Wales, which would see a new combined cycle-gas turbine power station developed at the existing Connah's Quay site. The proposed plant would be equipped with carbon capture technology, with captured CO₂ transported through the HyNet pipeline.

The Department works closely with Net Zero Industry Wales to support progress on Non-Pipeline Transport policy required to enable carbon shipping which will decarbonise South Wales' heavy industries.

In March, The Secretary of State for Wales and Minister Shanks hosted a reception at Gwydyr House to mark that MorGen, a green hydrogen developer supported through DESNZ's Hydrogen Allocation Round 1 (HAR1), had reached Final Investment Decision (FID) to begin construction of its 20MW green hydrogen facility in Milford Haven. In 2025, DESNZ published the shortlisted projects for the Hydrogen Allocation Round 2 (HAR2) process – the second allocation round of UKG's funding mechanism to support low carbon hydrogen production across the UK. Three projects in Wales have progressed to the shortlist – Green Hydrogen 5 in Port Talbot, Pembroke Green Hydrogen 1 and Magor Net Zero.

iv. Seek to inform decisions on the development of new nuclear projects at sites in Wales, including the recently purchased Wylfa site, supporting the case for Wales to be at the forefront of nuclear development.

In November 2025, the Secretary of State for Wales joined the Chancellor, Prime Minister and the First Minister of Wales in Anglesey to announce that the Wylfa site will host Great British Energy-Nuclear's (GBE-N) first Small Modular Reactor (SMR) project. The SMR programme at Wylfa has been allocated £2.6bn of UK Government funding across the Spending Review period, making this the biggest infrastructure announcement in Wales in a generation.

In April GBE-N and Rolls Royce SMR formally signed the contract to deliver the UK's first SMRs at Wylfa. It's expected that the initial project for three SMRs units will employ 3,000 people and will provide clean power for the equivalent of around 3 million of today's homes across Britain.

This is in addition to GBE-N signing supply chain contracts worth up to £353.65 million, and the National Wealth Fund providing Rolls-Royce SMR with up to £599 million of financing to support the design of the new SMR technology.

The Wales Office continues to successfully coordinate regular engagement on nuclear development and associated manufacturing and supply chain facilities in Wales between DESNZ and the Welsh Government, which has progressed and strengthened the relationship between the UK and Welsh governments.

v. Work with OGDs to ensure that the electricity grid in Wales supports Net Zero, industrial decarbonisation and nuclear ambitions.

Connection times to, and capacity on, the electricity grid in Wales has regularly been identified as a barrier to growth and decarbonisation. The Secretary of State has regularly engaged with stakeholders across Wales and with National Grid and the National Energy System Operator to support progress to address these concerns, including on proposals for a North-South Wales transmission project. The Office has continued to monitor grid applications for renewable energy and decarbonisation projects and supported to unlock issues as required.

The Office has continued to work closely with DESNZ as the Connections Reform project progresses, which aims to remove unviable projects from the queue and prioritise those critical to delivering clean power and wider industrial decarbonisation. The Department has also worked with colleagues across government to ensure Welsh interests are reflected in the development of the Connections Accelerator Service, announced as part of the Industrial Strategy, and on the Strategic Spatial Energy Plan.

vi. Tidal - Continue to support the development of the tidal stream industry in North Wales and explore the opportunities for tidal range development in Wales.

Wales has significant strengths and opportunities in marine energy technologies. Nine tidal stream projects at Morlais on Anglesey have secured support through UKG's Contracts for Difference (CfD) Scheme, totalling 56.5MW. The three most recent projects were announced in Allocation Round 7 of the CfD Scheme in February, bolstering this nascent industry in North Wales.

The Office continues to support this nascent industry through regular engagement with the trade bodies and developers. In November 2025, the Secretary of State for Wales hosted a roundtable with the tidal and wave industry which focused on the specific challenges and opportunities the sector faces in Wales.

Priority Outcome 3 – Support people and public services in Wales

i. Sharing best practice and supporting the Welsh Government to improve public services in Wales

The Office has engaged with the Department of Health and Social Care (DHSC) colleagues on how to increase collaboration with the Welsh Government to improve health outcomes.

The Office continued to engage with the Welsh Government on coal tips safety. The Spending Review in June confirmed a further £118 million between 2026-27 and 2028-29 for the Welsh Government to maintain the safety of disused coal tips, on the back of £25 million already committed in 2025-26 during 2024 Autumn Budget. And on the 16 March the Secretary of State and the Deputy First Minister announced on a visit to Tylorstown the resumption of the Coal Tips Safety Taskforce.

The Office has worked with the Department for Education (DfE), Skills England and the Welsh Government to encourage close working and collaboration on education and skills.

ii. Delivery of efficient reserved public services in Wales

The Office has continued to engage with colleagues in the Home Office as well as Welsh Government to ensure that the Safer Streets Mission is delivered effectively in Wales. In February it was announced that the 4 Welsh police forces would be receiving a real terms funding increase for 2026/27. In March the Secretary of State joined the Policing Minister in Cardiff to see firsthand how live facial recognition technology was being used by South Wales Police to cut crime. The Office has been engaging with Home Office colleagues on the Police Reform White Paper which was published in January 2026 and in particular the replacement model in Wales for Police & Crime Commissioners.

The Office continues to engage with the Ministry of Defence and in November the Defence Housing Strategy was published committing the Government to improve service housing across the UK. Rapid improvement works are already underway at 107 service houses across Mid and West Wales.

The Office has continued engagement with the Ministry of Justice (MoJ) and HM Prison and Probation Service (HMPPS) on the operation of the offender management system and its interaction with devolved services.

The Office has worked closely with the Department of Work and Pensions (DWP) and others on key policy areas such as Welfare, Inactivity and poverty. In particular, the department has worked with both the Welsh Government and DWP on the Inactivity Trailblazer in Wales. The Government also announced an increase to the National Minimum Wage, the National Living Wage, the Universal Credit standard allowance and pensions, boosting the incomes of hundreds of thousands of people across Wales. In addition, the department worked closely with the Child Poverty Unit on the development of the Child

Poverty Strategy. The Parliamentary Under Secretary of State sits on the Child Poverty Taskforce, through this forum, and official level engagement, the department has worked to ensure the strategy benefits children in Wales. The government also announced the removal of the two-child benefit cap, which will benefit 69,000 children in Wales.

iii. Support Welsh cultural interests.

The Office continues to work with Whitehall departments to continue to develop and expand Welsh language use and delivery by the UK Government. The then Parliamentary Under Secretary visited the Urdd Eisteddfod in Margam in May where she met a range of stakeholders including Neath Port Talbot Colleges well as the Welsh Language Commissioner. In August the then Parliamentary Under Secretary visited the National Eisteddfod in Wrexham where she met amongst others stakeholders from broadcasting.

The Office has continued to engage with colleagues from the Department of Culture, Media and Sport on broadcasting matters and in particular around the BBC Charter Review Green Paper which was launched in December. Officials also worked closely with Department of Culture, Media and Sport (DCMS) colleagues on appointing a new Chair and Board Members for Sianel Pedwar Cymru, S4C.

The Multi Sports Grassroots Facilities Fund continued to be delivered in Wales over the reporting period with 64 projects receiving funding over 25/26. On the 9 February Minister McMorris visited one of the projects at Afon Taf High School in Merthyr.

Priority Outcome 4 – Ensure that Welsh Devolution works effectively for the people of Wales

Promote intergovernmental working

Throughout the year, the Office continued to promote and support engagement and collaboration between the UK and Welsh Governments.

Ensuring a strong working relationship with the Devolved Governments has remained a focus for the government. To aid in the delivery of this, the Office has supported regular bilateral meetings between the Secretary of State and the First Minister of Wales, as well as ad-hoc meetings on specific issues between Wales Office ministers and Welsh Ministers.

The Office also continued to support formal intergovernmental engagement throughout the reporting period. Ministers and officials supported UK Government departments ahead of meetings of the Interministerial Standing Committee and departmental level Interministerial Groups.

Devolution in Wales

The government's manifesto made several commitments in regard to devolution in Wales. This includes commitments on the devolution of employment support funding to the Welsh Government, working with Welsh Government to consider the devolution of youth justice, exploring the devolution of probation services as part of a wider strategic review, and agreeing a new memorandum of understanding on the Sewel convention. The Office has been in discussion with policy owning departments to support work on these commitments.

On 25 March 2026, the UK and Welsh Governments published a joint statement on the delivery of commitments in relation to youth justice and probation. On youth justice, the statement committed to both governments agreeing an expanded and clearly defined role for the Welsh Government starting with the devolution of funding to reduce the use of remand for children in Wales, as well as the remaining funding for early intervention. On probation the Governments and the four Welsh police forces have committed to agree an MoU to strengthen flexibility within probation in Wales.

Also on 25 March the Parliamentary Under Secretary of State (Minister for Transformation) made a written statement confirming that the Governments have agreed how employment support funding will be devolved to the Welsh Government over the course of the current Parliament through a Memorandum of Understanding.

Ensure the Welsh devolution settlement works effectively

The Office supported UK Government's legislative programme during the first session of the current Parliament. The Office played a key role, working with departmental Bill teams on legislation which impacts Wales. This included supporting their engagement with the Welsh Government where the UK Government sought the Senedd's consent to devolved provision in UK Bills. During the reporting period, the Senedd approved legislative consent motions for 18 parliamentary Bills.

The Senedd withheld consent for the Crime and Policing Bill in a vote on 10th March. The government proceeded with the devolved provisions in the Bill, which included new specific offence of assaulting a retail worker. The government will continue to work with the Welsh Government on the implementation of this legislation.

The Office worked closely with HMT and the Welsh Government to increase Welsh Government's borrowing powers. To enable the Welsh Government to support people, businesses and public services in Wales, in 2026-27, the Welsh Government's annual and cumulative capital borrowing limits, overall Wales Reserve limit and annual RDEL and CDEL drawdown limits will all be increased by 10%. From 2027-28, each of those limits will be uprated annually in line with inflation. The UK Government will also provide a temporary waiver of the Reserve drawdown limits in 2026-27. The changes announced by the Chancellor

at Autumn Budget provide the Welsh Government with an additional £425 million spending power over the scorecard period (25/26-30/31).

The Spending Review 2025 provided the Welsh Government with their largest spending review settlements in real terms since devolution in 1998. The UK Government is providing the Welsh Government with nearly £6.5bn in additional spending power over the SR as a result of changes to the fiscal framework, additional funding through Barnett and the largest settlement in the history of devolution.

Supporting the operation of the UK Internal Market

The Office worked closely with other UK Government departments at both official and ministerial level to consider the Welsh Government's request for an exclusion from the Market Access Principles for its deposit return scheme (DRS). On 12 February, the Government announced it had offered an exclusion for single-use glass bottles in Wales subject to the Welsh Government committing to commence its DRS regulations on 1 October 2027, in line with the schemes for the rest of the UK, integrating with the UK wide DRS scheme in relation to plastic and metal drinks containers, and expanding its proposed transitional period for single use glass. The Welsh Government subsequently made its regulations on 25 March.

Senedd legislation

The Office worked with the Welsh Government and with other UK Government departments to ensure that Senedd legislation brought forward in this period respected the devolution settlement and was within devolved competence. For example, the Office worked with a number of departments in responding to requests for Minister of the Crown consent for provisions in Senedd Bills that impacted reserved authorities. During the reporting period, the Secretary of State provided consent for provisions in six Senedd Bills. This included Bills related to homelessness, bus services, planning and the environment.

Secondary legislation

The Office worked closely with the Welsh Government to take forward three pieces of secondary legislation during the reporting period.

1. The Infrastructure (Wales) Act 2024 (Consequential Amendments) Order 2025 was laid in Parliament on 27th October. It made amendments to reserved legislation which helped to ensure that the new consenting process for devolved infrastructure projects, introduced by the Infrastructure (Wales) Act 2024, took effect as intended. The Order was debated in committee in the House of Commons on 25th November, and in the House of Lords on 8th December. It was made by the Secretary of State on 15th December under the power in Section 150 of the Government of Wales Act (GoWA) 2006 and came into force on 16 December.

2. The power in section 150 of GoWA 2006 was also used to take forward the Tertiary Education and Research Act 2022 (Consequential Amendments) Order 2026, which was laid in Parliament on 2 February. This Order made amendments to tax, charities and employment legislation that were necessary as a consequence of the introduction of a new regulatory system for tertiary education in Wales. The Order was debated in committee in both houses of Parliament on 17th March. It was made by Minister McMorris on 23rd March and came into force on 1st April.
3. Lastly, an amendment was required to update the list of devolved Welsh authorities in Schedule 9A to GoWA 2006. An Order was prepared which removed The Independent Remuneration Panel for Wales and The Local Democracy and Boundary Commission for Wales from that list and replaced them with a reference to The Democracy and Boundary Commission Cymru. This reflected changes to these bodies made through Senedd legislation. The Order was made by His Majesty in Council on 10 December, under the power in section 157A of GoWA. It was laid in Parliament on 17th December and came into force on 8th January.

Finance and Governance

The delivery of our four 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 2025-26 budget was set in the 2025 Spending Review.

Of the £24.679 billion Welsh settlement, the Office's allocation for 2025-26 was around £7.5 million, which was spent largely on staff and accommodation, and other Departmental responsibilities such as the reimbursements of Lord Lieutenants of Wales. The remainder of the settlement (£24.671 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 Offices of the Nations 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 other Offices of the Nations. We currently share a parliamentary team and security adviser with the other Offices of the Nations 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.

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.

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***.

* <https://www.gov.uk/government/publications/transparency-spend-over-500-for-financial-year-2025-26>

** <https://www.gov.uk/government/collections/wales-office-ministerial-gifts-hospitality-overseas-travel-and-meetings>

*** <https://www.gov.uk/government/publications/wales-office-special-advisers-quarterly-transparency-return-october-to-december-2025>

During 2025-26 we dealt with 170 Freedom of Information (FOI) requests as set out below.

Description	Number 2025-26	Number 2024-25
FOI requests received, Of which:	170	139
Responses replied to within 20 working days or within permitted extension	170 (100%)	137 (99%)
Internal Review of our responses requested	1	1
Response referred by requestor to the Information Commissioner	0	1

Our Parliamentary performance over 2025-26 is summarised below:

Type of Question	Number 2025-26	Number 2024-25
Named Day	26	78
Named Day responses replied to on time (target 100%)	25 (96%)	78 (100%)
Ordinary	98	7
Ordinary responses replied to on time (target 100%)	98 (100%)	7(100%)

Our performance in handling correspondence during 2025-26 was:

Target	2025-26 %	2024-25 %
100% Correspondence dealt with within 15 days	71%	97%

Political and Charitable Donations

The Office did not make any political or charitable donations in 2025-26. (2024-25 Nil).

Counter-Fraud and Whistleblowing)

The Wales Office has robust arrangements in place for the prevention, detection and reporting of fraud, and is committed to the highest possible standards of openness, honesty, and accountability. Our arrangements follow the principles outlined in the HM Treasury's publication Managing Public Money, and Civil Service policies on whistleblowing or raising a concern about any suspicions on matters that staff think are wrong, illegal or endangers others, including fraud, bribery or corruption.

There were no reported cases of fraud or whistleblowing during the reporting period. (2024-25 Nil).

Estates

The Department has two offices, Gwydyr House in London and the UK Government Hub in Cardiff.

Gwydyr House is a Grade II* listed building and is owned by the *Government Property Agency (GPA). The Office rents space alongside other UK Government Departments in the Cardiff Hub

Both offices meet the requirements of the Disabilities Act.

Health and Safety

The Wales 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.

All staff are required to complete annual mandatory Health & Safety training, and the Office keeps its health and safety guidance under review,

During 2025-26, there were no accidents reported to the relevant authorities (nil in 2024-25).

Sustainable Development

This sustainable development report has been prepared in accordance with 2025-26 guidelines laid down by HM Treasury in 'Public Sector Annual Reports: Sustainability Reporting' published at:

<https://www.gov.uk/government/publications/sustainability-reporting-guidance-2025-26/sustainability-reporting-guidance-2025-26>

The Wales Office is committed to minimising its environmental impact and supporting the wider UK Government's Net Zero commitment. This includes encouraging sustainable decision-making and greener ways of working; increasing staff engagement and awareness of our ambitions; working with building owners to meet government targets; reducing waste; promoting recycling and the sustainable repurposing of equipment.

The Office has reported on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned disclosure application guidance, which interprets and adapts the framework for the UK public sector. The Office has not identified climate change as a significant risk to the operation of the department and considers climate related issues as part of its general governance. However, we are already undertaking/have plans in place to comply with the TCFD phase 2 recommendations and recommended disclosures relating to:

- Governance
- Risk Management
- Metrics and Targets
- Strategy

Governance

Given the scope of the Wales Office's direct control over its climate impact, climate-related matters are reviewed annually by the Board, except where significant risks or opportunities arise that warrant more frequent consideration.

The Executive Committee (ExCo) considers climate-related matters at least three times per year.

Risk Management

The identification and management of climate-related risks follow the same processes applied to all departmental risks. Where appropriate, such risks are included in the overarching risk register and are reviewed through the Wales Office's governance mechanisms, as set out in the Governance Report.

Metrics and Targets

We follow the Greening Government Commitment (GGC) emissions methodology for metrics.

Strategy

The Wales Office does not consider climate change to be a principal risk but will continue to monitor it through its governance processes.

Greening Government Commitments

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 table below sets out the areas on which the Wales Office has captured information on the Government Greening Commitments:

	CO ₂ Emissions Tonnes					
	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
Air Travel	0	0	28.12	58.16	1.08	13.90
Air Miles	0	0	58,665	44,726	3,652	46,367
Rail Travel	1.33	3.42	8.94	7.89	7.57	8.13
Rail Miles	22,656	62,421	158,049	139,691	123,221	119,964
Car Mileage	2.06	1.46	2.25	4.11	3.84	1.59
Gas Heating	11.14	14.08	22.87	1.323	0.00	0.00
Electricity*	10.2	2.89	9.53	10.91	7.69	8.76
Waste	0.1	0.08	0.06	0.08	0.08	0.01
Total CO ₂ Tonnes	24.83	21.93	71.77	82.47	20.26	32.39
Water Consumption Cubic Metres**	505	252	642	513	282	585

* 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 increased in 2022-23 due to major refurbishment works being undertaken in the London Office.

The Office does not own and is not the sole occupants of either of its buildings in London or Cardiff. Both buildings are shared with other UK public sector bodies. It is not possible to identify the individual responsibility of each organisation to the overall sustainability of each building. Shared occupations are not accounted for, due to the difficulties of extrapolating reliable sustainability data from service charges supplied by the 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.

Carbon Reduction Commitment

The Office is committed to reducing our energy usage to help achieve the UK's net zero emissions target.

The Department's Carbon Reduction Commitment is managed by the Government Property Agency and 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. Encouraging the use of video conferencing and dial-in facilities rather than travelling to meetings.
- c. replacing printers with more energy efficient models; and
- d. increasing the range of items that can be collected for recycling in both buildings we occupy.

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

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 financial year followed by a *Supplementary Estimate* towards the end of the financial year.

The estimates are published by His Majesty's Stationery Office (HMSO) and contain details of voted monies for all Government departments. The 2025-26 Supplementary Estimates are available at:

<https://www.gov.uk/government/publications/supplementary-estimates-2025-26>

Movements in Estimate provision during 2025-26

At the start of the year the Department was voted £24.5 billion in resource its Main Estimate. By the final Single Supplementary Estimate, this had increased to £24.7 billion resource largely due to a £202 million 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	6,025	6,532	507	8%

The underspend of £0.507 million against the Supply Estimates is mainly attributable to unavoidable delays in recruiting new staff during the year, lower spend on accommodation costs than expected and unused contingency funds.

Wales Office – Capital

Spending in Department Expenditure Limits		Outturn £000	Estimate £000	(Overspend)/ Under spend £000	Percentage of estimate %
A	Wales Office	0	975	975	100%

The underspend relates to budgetary provision for a potential increase in lease rent, which did not occur during the financial year.

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)	20,864,907	21,068,698	203,791	0.83%
D	*Pay over of Welsh Rates of Income Tax to the WCF	3,602,716	3,602,716	0	0
	Total to WCF	24,467,623	24,671,414	203,791	0.83%

On the 6th of 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 £204 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 2025-26.

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 Senedd Cymru to determine how the funds are spent and for the Welsh Government to account for the expenditure.

Summary of Key Terms in Government Budgeting

Departmental Resource budget covers the costs of the consumption of resources e.g., pay costs.

Capital budgets cover expenditure on new fixed assets e.g., Plant and machinery and equipment.

Departmental Resource and Capital budgets are divided into: –

Departmental Expenditure Limit (DEL) budgets are for expenditure which is within the department's control. Limits are set in the Spending Review and Departments may not exceed the limits set.

Annually Managed Expenditure (AME) budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Expenditure in AME is generally less predictable and controllable than expenditure in DEL.

The total Departmental Resource budget is the total of the resource DEL and resource AME budget. The total of the Departmental Capital budget is the total of Capital DEL and AME budget.

Within the Resource budget there are separate administration controls set in the Spending Review: –

Administration Budgets cover the costs of all central government administrations e.g., staff salaries and travel and subsistence costs.

Programme Budgets cover the costs of support activities that are directly associated with front line activities.

More information on the budgeting framework can be found at

<https://www.gov.uk/government/publications/consolidated-budgeting-guidance-2025-to-2026/consolidated-budgeting-guidance-2025-26>

Statement of Financial Position

The net liabilities as of 31st March 2026 are £1.452m (2024-25 net liabilities £1.561m). The Department has assessed itself as a going concern see accounting policy 1.2. The significant balances on the Statement of Financial Position are:

- Right of Use Assets are £2.9m (2024-25 £3.1m) and Lease obligations are £3.1m (2024-25 £3.5m) – The lease contracts comprise leased buildings. The assets are being depreciated over the term of the lease.
- Non-current Financial Assets and Liabilities are £511.2m (2024-25 £399.5m). These are loans issued from the National Loans Fund (NLF) to the Welsh Government. In 2025-26 a new loan totalling £125m was issued to the Welsh Government from the NLF under the Wales Act. The NLF interest and capital payments are balanced by corresponding amounts in receivables and payables.
- Trade and other payables are £1.4m (2024-25 £1.3m) and primarily comprise accruals. Supply is drawn down from the Consolidated Fund as required to meet commitments.

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

	2025-26 £000	2024-25 £000
Net Resource Outturn (Estimates)	24,473,648	22,350,409
Adjustments to remove non – budget items*	(24,467,623)	(22,344,636)
Total Resource Budget Outturn	6,025	5,773
Of which		
Departmental Expenditure Limit (DEL)	6,025	5,773
Annually Managed Expenditure Limit (AME)	0	0
Adjustments include		
Non – Budget items*	(24,467,623)	(22,344,636)
Net Operating Cost (Accounts)	24,473,648	22,350,409

Notes

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



Ciarán Hayes
Accounting Officer
10th July 2026

2 The Accountability Report

Corporate Governance Report

Directors' Report

Ministers, Directors and Non-Executive Directors

Ministers/Directors/Non-Executive Directors
Rt. Hon Jo Stevens MP – Secretary of State for Wales
Anna McMorrin MP – Parliamentary Under Secretary of State for Wales from 7th September 2025
Claire Hughes MP – Parliamentary Under Secretary of State for Wales from 16th September 2025
Dame Nia Griffith MP – Parliamentary Under Secretary of State for Wales to 7th September 2025
Dr Kathryn Chamberlain OBE – Lead Non-Executive Director (NED)
Dr Rhian Hayward MBE – Non-Executive Director (NED)
Ciarán Hayes – Director from 1st January 2026
Glynne Jones CBE – Director to 31st December 2025

The Office had two non-executive directors (NEDs) during the year Kathryn Chamberlain (Lead NED), and Dr Rhian Hayward (NED) Details of all the Office's committees and membership are outlined in the "Governance Statement" (pages 38 to 40).

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 2025-26. (2024-25, one). This involved the loss of a mobile phone. The item was fully encrypted and did not contain confidential or sensitive information. The incident was 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 Ciarán Hayes, 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 Wales Office, are set out in *Managing Public Money* published by HM Treasury.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Wales Office auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

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.

I was appointed Accounting Officer and Director on 1 January 2026, following the departure of Glynne Jones on 31 December 2025. Prior to his departure, I received a Letter of Assurance from Glynne Jones covering the period from 1 April 2025 to 31 December 2025. This letter set out the core areas of assurance upon which he relied in his capacity as Accounting Officer during that period. It included a statement providing confirmation and assurance that, in his view, the system of internal control within the Wales Office operated effectively throughout that period.

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 2025-26 and up to the date of when the Annual Report and Accounts are laid in Parliament.

Ministerial responsibilities

The Secretary of State for Wales provides political direction to the Office and is accountable to Parliament. She is supported by two Parliamentary Under-Secretaries of State for Wales, and a Government Spokesperson 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 five 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 her responsibilities to Parliament. Details of the membership of the Board is shown below.

In 2025-26 the Board monitored progress of the Office's performance against its 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 Director and should have independent input at least once every three years.

An independent review of Board effectiveness was undertaken in 2026, with the findings documented in a separate report. A key recommendation arising from the review was to streamline Board membership to better reflect the size, remit and governance requirements of the Wales Office.

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. Jo Stevens MP – Chair Secretary of State for Wales	2 of 2
Anna McMorris MP Parliamentary Under Secretary of State for Wales from 7th September 2025	3 of 3
Claire Hughes MP Parliamentary Under-Secretary of State for Wales from 16th September 2025	2 of 2
Dame Nia Griffith MP Parliamentary Under-Secretary of State for Wales to 7th September 2025	0 of 0
Dr Kathryn Chamberlain OBE Lead Non-Executive Director (NED)	4 of 4
Dr Rhian Hayward MBE Non-Executive Director (NED)	4 of 4
Ciarán Hayes Director from 1st January 2026	1 of 1
Glynne Jones CBE Director to 31st December 2025	3 of 3

Notes

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

In previous years, Board membership disclosures included Deputy Directors who were members of the Departmental Board. Following a review of the roles and responsibilities of Board members, management concluded that, whilst Deputy Directors contribute to Board discussions, provide advice and are responsible for the delivery of their respective business areas, they do not determine the strategic direction of the Department or hold ultimate responsibility for decisions affecting the Department as a whole. Their role is operational and advisory rather than one of directing and controlling the Department's major activities. Accordingly, Deputy Directors are no longer included within the Board membership disclosure. 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 Audit and Risk Assurance Committee (ARAC) support the Board and Accounting Officer by providing an independent view of the risk, internal control and governance arrangements within the Office. The ARAC is chaired by the Lead Non-Executive Director (NED) and comprises one other NED and another independent member. 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 2025-26 seeking views from all its members. The committee concluded that it was operating effectively with few areas identified that could be strengthened.

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

- the Department's risk management processes including undertaking deep dives on the strategic risk register and the risk appetite statement.
- Annual report and Accounts and the National Loans Fund Account.
- Governance processes; 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
Dr Kathryn Chamberlain OBE – Lead Non-Executive Director (NED) Chair	5 of 5
Dr Rhian Hayward MBE – Non-Executive Director	4 of 5
Phil Eskdale-Lord¹ – Independent Member	5 of 5

Note

- 1: Phil Eskdale-Lord was previously Deputy Director, Finance at the Ministry of Defence and is currently working at BAE Systems.

Other Board/Committees

Outcome Delivery Plan Implementation Committee

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

During 2025-26, the Committee, considered a range of issues including reporting of accidents at work and H&S training.

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
Jo Stevens MP Secretary of State for Wales	Member of GMB union Member of USDAW
Anna McMorris MP Parliamentary Under Secretary of State for Wales from 7th September 2025	Member of GMB Trade Union Member of USDAW Trade Union Co-operative Party
Claire Hughes MP Parliamentary Under Secretary of State for Wales from 16th September 2025	Member of GMB Trade Union
Dame Nia Griffith MP Parliamentary Under Secretary of State for Wales to 7th September 2025	Member of National Education Union Member of USDAW
Dr Kathryn Chamberlain OBE	Commissioner Jersey Care Commission Chair Jersey Statistics Council
Dr Rhian Hayward MBE	Director, Aberystwyth Innovation and Enterprise Campus Ltd Board Member, Food Standards Agency

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:

Matt Hexter was a Wales Office Special Adviser until 07/04/2026. Mr Hexter was shortlisted as a Labour candidate for the 2026 Welsh Senedd Elections.

Business Appointments

The Office follows the Business Appointment Rules (BAR) issued by the Cabinet Office for Civil Servants

<https://www.gov.uk/government/publications/business-appointment-rules-for-crown-servants>

The Audit and Risk Assurance Committee monitors the Office's 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 Departmental 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 2025-26 these have included the risks of: –

- Failure to kickstart economic growth in Wales.
- Failure to unlock Wales's green energy potential.
- Failure to support people and public services in Wales.
- Failure to ensure that the Welsh devolution settlement works effectively for the people of Wales.

The Office has good controls in place to mitigate these risks. These include:

- Effective and direct stakeholder engagement.
- Regular and effective engagement with Other UK Government Department's (OGDs) and utilisation of cross-government mechanisms to ensure delivery of priorities Manifesto commitments in Wales.
- The Communications team works to ensure OGDs consider impacts on Wales when making specific announcements.
- Regular and effective engagement with UK and Welsh Government Officials and Ministers.
- Providing targeted advice and support for City and Growth Deal projects and other priority programmes, such as the Port Talbot /Tata Steel Transition Board.
- Prioritisation of problem areas / areas of high potential.

- Effective communications strategy and visit programme, promoting UKG investment in Wales.
- Engagement at ministerial level including intergovernmental level.
- Building credibility and trust between inter-government officials in UK and Welsh Governments.
- Departmental Board and ARAC providing effective challenge.

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 five 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 the Strategic risk register and how the risks were managed.

Risk and control framework

The Office has in place a Risk Management Framework (RMF) Policy which is aligned with HM Treasury's Orange Book Management of Risk – Principles and Concept. The policy is approved by the Audit and Risk Assurance Committee and the Departmental Board.

The RMF 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 Head of Directorate are 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.

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 it is compliant with the minimum requirements.

Transparency Reporting

The Office publishes monthly data on spend over £500, and Workforce Management Information as well as publishing quarterly data on gifts, hospitality, meetings and travel for ministers, the director and special advisors in post. For 2025-26 these datasets were published in accordance with the Cabinet Office publication timelines on gov.uk and were published on data.gov.uk. Further information can be found here:

[https://www.gov.uk/search/transparency-and-freedom-of-information-releases?organisations\[\]=wales-office&parent=wales-office](https://www.gov.uk/search/transparency-and-freedom-of-information-releases?organisations[]=wales-office&parent=wales-office)

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.

Internal audit services are provided to the Wales Office by the Government's Internal Audit Agency, who work in accordance with Public Sector Internal Audit Standards. The work of internal auditors includes reviewing information and holding meetings with senior management, to look at the governance, risk, and internal control framework.

The Head of Internal Audit from the Government's Internal Audit Agency provides an annual assurance to the department's Accounting Officer, by way of an independent opinion on the adequacy and effectiveness of governance, risk, and internal control arrangements. Their internal audit opinion is informed by the internal audit work carried out throughout the reporting period. Their annual audit work plan is developed in agreement with senior management, the Accounting Officer and the Audit and Risk Assurance Committee and is informed by an analysis of the risks to which the Wales Office is exposed.

The 2025-26 internal audit plan included reviews of: governance, outcome delivery plan business planning and resource resilience – follow up. The audit opinion on the reviews was two moderate and one substantial.

The Head of Internal Audit provided an overall Moderate opinion on the framework of governance, risk management and internal control within the Wales Office for the year ended March 2026. Their opinion reflects the audit plan agreed and is not limited in scope, to the extent that the assurance provided by internal audit can never be absolute.

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 NEDs: After due consideration by the Director, Departmental Board and the Audit and Risk Assurance Committee, and following discussions with Internal Audit and the National Audit Office, the Department decided not to increase the number of its NEDs. It is felt the current membership is proportionate to the size of the Department (around 50 staff). The NEDs brought extremely valuable skills and experience which are particularly relevant to the Office. The lead NED is a statistician and spent most of their career in Wales working across public services. They have experience of being an independent member of audit and risks committees and being a non-executive and executive board member of public sector organisations. The second NED has extensive experience in the public, private and higher education sectors in Wales and has held various public appointments for the Welsh and UK Governments.
- 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 independent member formerly an official at the Ministry of Defence who now works in the Private Sector, serves on the committee.
- 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 Chief Finance Officer is not a member of the Board but attends all Board meetings in an advisory capacity.

Security and information security

This is covered in the Director's Report. Please see page 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 receive 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 2025-26

There were no data losses during 2025-26. (2024-25 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 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, and the assurances received from the previous Accounting Officer, I can confirm that the system of internal control within the Office is adequate to support the achievement of the Department's objectives. This assurance is given on the basis that, where risks have been identified, appropriate action has been taken to mitigate them, or the nature of the risk is fully understood and formally accepted.

A handwritten signature in black ink, reading 'Ciarán Hayes'.

Ciarán Hayes
Accounting Officer
10th July 2026

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 2025-26 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

- the pay and pensions of Members of Parliament (MPs) and their allowances; 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 £93,904 (from 1 April 2025) and various allowances to which they are entitled are borne centrally. However, the arrangement for Ministers in the House of Lords is different in that they do not receive a salary but rather an additional remuneration, which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department, and is therefore shown in full in the figures below.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Department and treated by HM Revenue and Customs as a taxable emolument. No Minister in the Office of the Secretary of State for Wales received benefits in kind in 2025-26 or 2024-25.

Remuneration (salary, benefits in kind and pensions)
(Subject to audit)

Single total figure of remuneration								
Ministers	Salary (£)		Benefits in Kind (to nearest £100)		Pension benefits to nearest £1000 [†]		Total (to nearest £1000)	
	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25
The Rt. Hon Jo Stevens MP, Secretary of State from 5th July 2024 [†]	67,505	49,721	nil	nil	17,000	13,000	85,000	62,000
The Rt. Hon David TC Davies MP, Secretary of State to 5th July 2024 [†]	n/a	34,659	n/a	nil	n/a	4,000	n/a	39,000
Anna McMorrin MP, Parliamentary Under Secretary of State from 7th September 2025 ^{††}	11,485	n/a	nil	n/a	3,000	n/a	15,000	n/a
Claire Hughes MP, Parliamentary Under Secretary of State from 16th September 2025 ^{†††}	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Dame Nia Griffith MP, Parliamentary Under Secretary of State from 9th July 2024 to 7th September 2025 ^{††††}	9,758	16,300	nil	nil	2,000	4,000	12,000	20,000
Fay Jones MP, Parliamentary Under Secretary of State from 13th November 2023 to 5th July 2024 ^{†††††}	n/a	11,487	n/a	nil	n/a	1,000	n/a	12,000

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.
- † Following the UK General Election held on the 4th of July 2024 the Rt Hon Jo Stevens MP was appointed Secretary of State for Wales on the 5th of July 2024. The full-time equivalent salary in this role in 2024-25 was £67,505.
The Rt. Hon David TC Davies MP served as Secretary of State for Wales to the 5th of July 2024. His total salary for 2024-25 includes a severance payment of £16,876. The full-time equivalent salary in this role in 2024-25 was £67,505.
- †† On the 7th of September 2025 Anna McMorrin MP, was appointed Parliamentary Under Secretary of State for Wales replacing Dame Nia Griffith MP. The full-time equivalent salary in this role in 2025-26 was £22,375.
- ††† On the 16th of September 2025 Claire Hughes MP, was appointed Parliamentary Under Secretary of State for Wales and Assistant Whip, House of Commons. The remuneration costs for this post are borne by the Consolidated Fund.
- †††† Dame Nia Griffith MP stepped down from the role as Parliamentary Under Secretary of State for Wales on the 7th of September 2025. The full-time equivalent salary in this role in 2025-26 was £22,375.
- ††††† Following the UK General Election on the 4th of July 2024 Dame Nia Griffith MP was appointed Parliamentary Under Secretary of State for Wales on the 9th of July. The full-time equivalent salary in this role in 2024-25 was £22,375.
Fay Jones MP served as Parliamentary Under Secretary of State for Wales to the 5th of July 2024. Her total salary for 2024-25 includes a severance payment of £5,593. The full-time equivalent salary in this role in 2024-25 was £22,375

(subject to audit)

Pension Benefits					
	Accrued Pension at age 65 as at 31 March 2026	Real increase in pension at age 65	CETV at 31 March 2026	CETV at 31 March 2025	Real increase/decrease in CETV £000
Ministers	£'000	£'000	£'000	£'000	£'000
The Rt. Hon Jo Stevens MP, Secretary of State from 5th July 2024	0-5	0-2.5	38	16	14
The Rt. Hon David TC Davies MP, Secretary of State to 5th July 2024	n/a	n/a	n/a	98	n/a
Anna McMorrin MP, Parliamentary Under Secretary of State from 7th September 2025	0-5	0-2.5	10	6	2
Claire Hughes MP, Parliamentary Under Secretary of State from 16th September 2025	n/a	n/a	n/a	n/a	n/a
Dame Nia Griffith MP, Parliamentary Under Secretary of State from 9th July 2024 to 7th September 2025	0-5	0-2.5	9	6	2
Fay Jones MP, Parliamentary Under Secretary of State from 13th November 2023 to 5th July 2024	n/a	n/a	n/a	6	n/a

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 <https://mypcpfpension.co.uk/wp-content/uploads/2019/09/ministerial-pension-scheme-rules.pdf>.

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.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023.

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 2025-26 relate to performance in 2024-25 and the comparative bonuses reported for 2024-25 relate to performance in 2023-24.

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

(subject to audit)

Single total figure of remuneration										
Officials	Salary (£'000)		Bonus payments (£,000)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1000) ²		Total (£,000)	
	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25	2025-26	Restated 2024-25	2025-26	2024-25
Ciarán Hayes, Director from 1st January 2026 ⁽¹⁾	25-30	n/a	nil	n/a	nil	n/a	4,000	n/a	25-30	n/a
Glynne Jones CBE, Director to 31st December 2025 ⁽²⁾	80-85	105-110	10-15	10-15	nil	nil	30,000	68,000	120-125	195-200

Notes to the table:

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.

Negative values – Final salary member (classic/classic plus/premium) who has transitioned to alpha. The final salary pension of a person in employment is calculated by reference to their pay and length of service. The pension will increase from one year to the next by virtue of any pay rise during the year. Where there is no or a small pay rise, the increase in pension due to extra service may not be sufficient to offset the inflation increase – that is, in real terms, the pension value can reduce, hence the negative values.

In prior years, remuneration disclosures included Deputy Directors who were members of the Departmental Board. Following a review of the roles and responsibilities of Board members, management concluded that Deputy Directors do not meet the definition of key decision makers for remuneration disclosure purposes. Although they contribute to Board discussions and provide leadership within their respective business areas, they do not have authority or responsibility for directing and controlling the Department's major activities. Accordingly, Deputy Directors are no longer included within the remuneration disclosures for key decision makers.

- 1 Ciarán Hayes was appointed Director of the Wales Office on 1st January 2026. The full-time equivalent salary for 2025-26 was in the range of £100k to £105k.
- 2 Glynne Jones CBE left the Wales Office on the 31st of December 2025. The full-time equivalent salary in 2025-26 was in the range £110k to £115k. The 2024-25 Pension benefits for Glynne Jones have been restated following the decision by the member to take remedy options.

Non – Executive Directors

(subject to audit)

Remuneration	Salary exc bonuses (including allowances (£'000))		Benefits in kind (to nearest £100)		Total (£'000)	
	2025-26	2024-25	2025-26	2024-25	2025-26	2024-25
Dr Kathryn Chamberlain OBE, Audit Committee Chair and Lead Non-Executive Director	10-15	10-15	nil	nil	10-15	10-15
Dr Rhian Hayward MBE, Non-Executive Director from 1st February 2025*	5-10	0-5	nil	nil	5-10	0-5
Alun Evans CBE, Non-Executive Director to 30th June 2024**	n/a	0-5	n/a	n/a	n/a	0-5

Note

*Dr Rhian Hayward MBE was appointed as Non-Executive Director on the 1st February 2025. The FTE in this post was in the range of £5k to £10k

**Alun Evans CBE term as Non-Executive Director ended on the 30th June 2024. The FTE in this role was in the range £5k to £10k.

Pension Benefits

(subject to audit)

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2026	Real increase in pension and related lump sum at pension age at 31 March 2026	CETV at 31 March 2026	CETV at 31 March 2025 Restated	Real increase/decrease in CETV
	£000	£000	£000	£000	£000
Ciarán Hayes, Director from 1st January 2026	30-35	0-2.5	563	557	0
Glynne Jones CBE, Director to 31st December 2025 ¹	65 - 70 plus a lump sum of 105 - 110	0 - 2.5 plus a lump sum of 0	1398	1319	22

Notes to table:

1. The CETV at 31 March 2025 figure for Glynne Jones has been restated following a recalculation by Capita.

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.

CETV figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was at extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023.

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.

Compensation for loss of office

(This section has been subject to audit)

No Board member left the Wales Office under Voluntary Exit terms in 2025-26 or 2024-25.

Ministers

(This section has been subject to audit)

There were no severance payments made in 2025-26. In 2024-25 following the 2024 UK General Election severance payments totalling £23,469 were paid to former Ministers in accordance with section 4 of the Ministerial and other Pensions and Salaries Act 1991.

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 2025-26 was £120k to £125k (2024-25, £120k-£125k) (See Single total figure of remuneration table). This was 2.5 times (2024-25, 2.5 times) the median remuneration of the workforce, which was £49,325 (2024-25, £49,410). The salary component of the median was £49,325.

The implementation of the Department's pay award in 2025-26 increased average staff remuneration.

In 2025-26 no (2024-25, Nil) staff member received remuneration (salary, allowances and bonuses) more than the highest-paid director. Remuneration ranged from £29,300 to £125,000 (2024-25 £22,400 to £120,000).

There was a 2.5% change in the highest paid director's salary and allowance. This was due to the Senior Civil Service pay award. The highest paid director received a bonus in 2025-26 of £11.6k (2024-25 £11k). There is a 5.5% change in the directors bonus from 2024-25.

For staff of the entity taken as a whole, the estimated average percentage change from the previous financial year of salary and allowances was -0.04% and the percentage change in performance pay and bonuses payable was 2.6%.

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 £35,808 (the salary component of this was £35,808) and the upper quartile remuneration (representing the 75th percentile of the linear distribution) was £64,635 (the salary component of this was £64,635). The total pay and benefits for the median, lower and upper quartiles is the same as the salary component.

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	2025-26	2024-25
Band of highest paid Director total remuneration (£000)	£120k to £125k	£120k to £125k
Median remuneration (£)	£49,325	£49,410
Ratio	2.5	2.5
25th percentile remuneration (£)	£35,808	£35,668
Ratio	3.4	3.4
75th percentile remuneration (£)	£64,635	£67,918
Ratio	1.9	1.8

Staff Report

Staff Costs

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

The Wales Office expenditure on staff during 2025-26 is shown in the table below: –

				31 March 2026	31 March 2025
	Permanently employed staff and inward secondees	Others	Ministers	Total	Total
	£000	£000	£000	£000	£000
Wages and salaries	3,048	-	89	3,137	3,190
Social security costs	354	-	12	366	303
Other pension costs	719	-	-	719	719
Total costs	4,121	-	101	4,222	4,212

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” – are unfunded multi-employer defined benefit schemes but the Wales Office is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the PCSPS as at 31 March 2020. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation.

For 2025-26 employer’s pension contributions of £719k (2024-25: £719k) were payable to the PCSPS at 28.97% (2024-25: 28.97%) of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2025-26 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers’ contributions of £Nil (2024-25 £Nil) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and ranged from 8% to 14.75%. (2024-25: 8.0% to 14.75%)

Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £Nil (2024-25 £Nil) 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £Nil (2024-25 £Nil). Contributions prepaid at that date were £Nil There were no retirements during 2025-26 on the grounds of ill health. (2024-25: Nil)

Staff Numbers

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

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

	31 March 2026	31 March 2025
Permanent staff	46	48
Others	0	0
Ministers	3	2
Special advisers*	2	2
Total	51	52

* The special adviser numbers are taken on a snapshot date of 31 March 2026.

Special Advisers are temporary civil servants. In order to improve efficiency, the administration of staff costs for all Special Advisers across government is managed by the Cabinet Office, with corresponding budget cover transfers. Therefore, all Special Adviser costs are reported in the Cabinet Office Annual Report and Accounts. Special Advisers remain employed by the respective department of their appointing Minister.

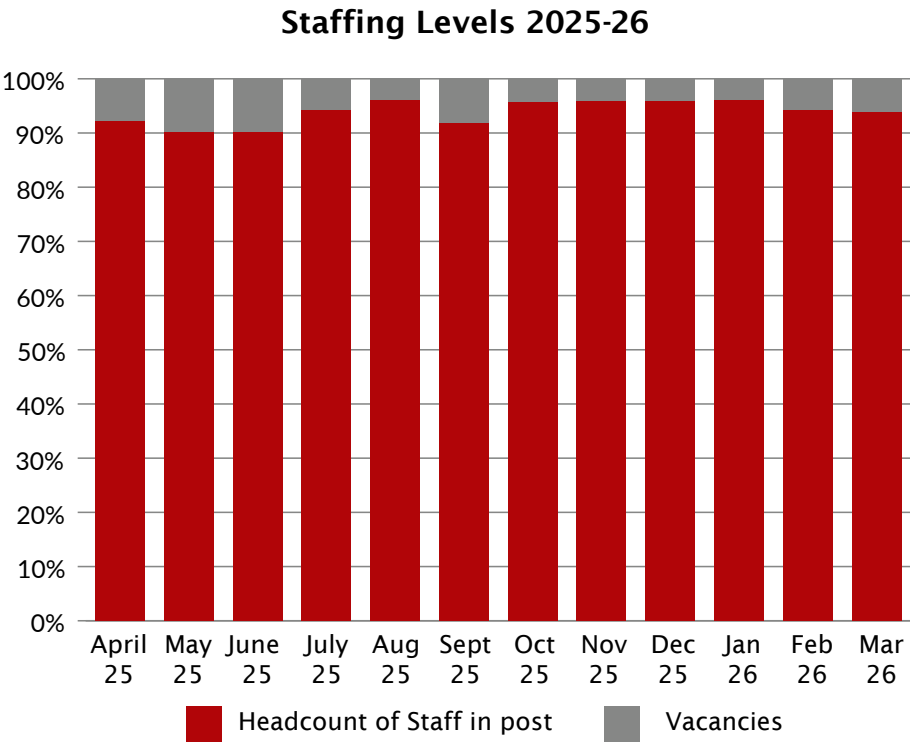
In line with the Constitutional Reform and Governance Act 2010 and the Model Contract for Special Advisers, a special adviser's appointment automatically ends when their appointing Minister leaves office. Special advisers are not entitled to a notice period but receive contractual termination benefits to compensate for this.

Termination benefits are based on length of service and capped at six months' salary. If a special adviser returns to work for HM Government following the receipt of a severance payment, the payment is required to be repaid, less a deduction in lieu of wages for the period until their return. Termination costs for special advisers are reported in the Cabinet Office Annual Report and Accounts

The Wales Office has never employed staff directly. It continues to receive employment services from the Ministry of Justice (MoJ) which assigns staff to us.

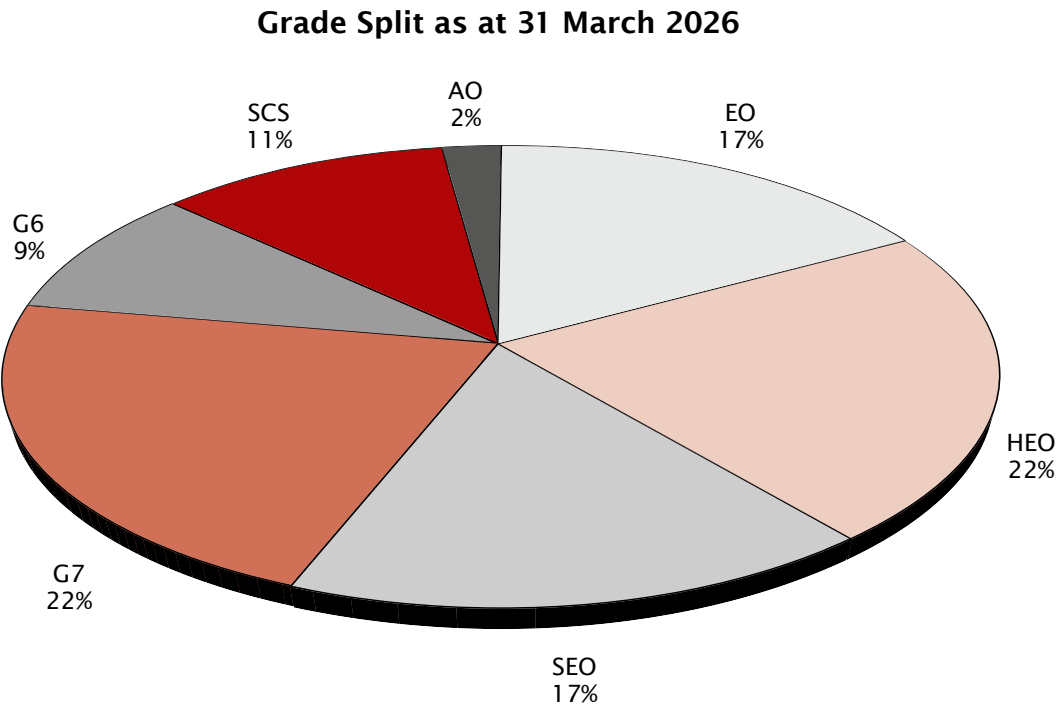
MoJ are subject to the Civil Service Commissioners' Recruitment Principles and staff are recruited on our behalf through fair and open competition.

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



The Wales Office had 46 staff in post at the end of the 2025-26 financial year reporting period. The staff attrition rate for 2025-26 was 22%.

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



Reporting of Civil Service and other compensation schemes – exit packages

(This section has been subject to audit)

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

The Wales Office had one voluntary exit package in 2025-26 of £54k (2024-25 nil). The total cost of exit packages for permanently employed staff is included in the staff costs in note 2.

Staff Policies and Other Disclosures

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

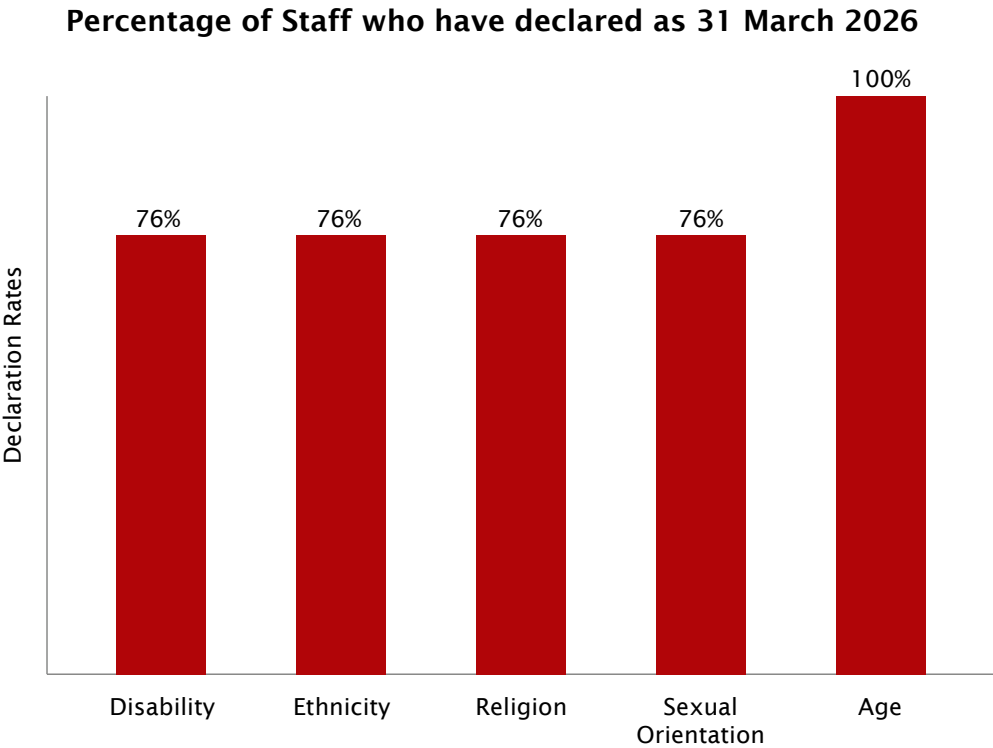
At the 31 March 2026, there were five people holding four substantive senior civil servant posts at the Wales Office.

Substantive Staff in Senior Civil Service positions	March 2026	March 2025
Proportion of women	60%	50%
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

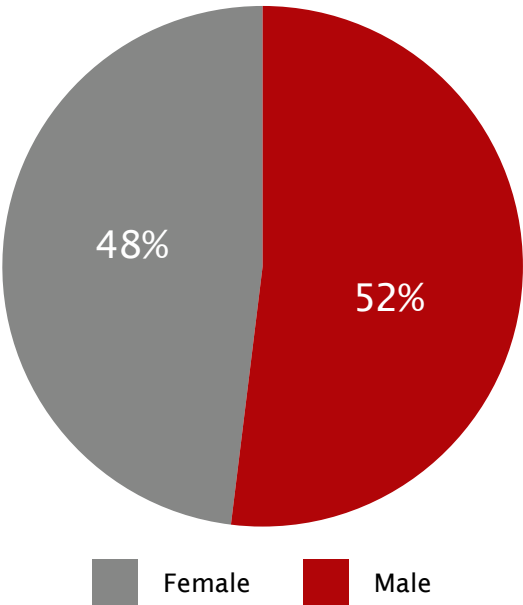
Personal characteristics are recorded through the Ministry of Justice Human Resources (HR) system where staff are encouraged to make personal declarations on a voluntary basis, at regular intervals throughout the year.

Response rates showing the percentages of staff who have voluntarily updated their HR record for each characteristic, at 31 March 2026, is shown in the chart below:

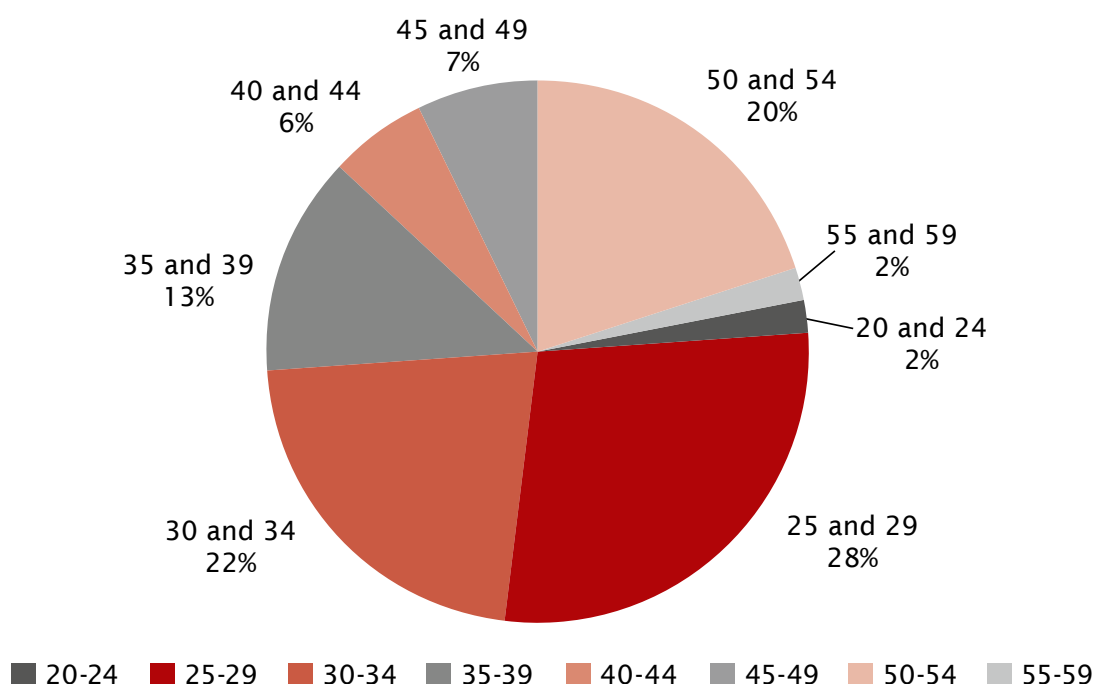


The charts below show the gender and age profile, based on HR data at 31 March 2026.

Gender Profile as at 31 March 2026



Age Profile as at 31 March 2026



In terms of Ethnicity, Disability, Sexual Orientation, 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.

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 bias.

Other Health Wellbeing Issues

The average number of working days lost (AWDL) due to staff sickness for the calendar year 2025 was 3.5.

The Wales Office participates in Wellbeing events, 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 2025-26 was nil. (2024-25£nil).

The total spend on temporary agency staff in 2025-26 was nil (2024-25£nil).

Off Payroll Appointments

In 2025-26 the Wales Office had no off-payroll appointments for more than £245 per day and for duration of six months or longer. (2024-25 nil).

Staff Engagement Survey

Our overall engagement index was 61% in 2025, compared to the Civil Service average of 65%.

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 2026: Ten members of staff had declared that they were fluent in listening, reading, and speaking Welsh.



Ciarán Hayes
Accounting Officer
10th July 2026

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).

The SOPS and Estimates are compiled against the budgeting framework, which is similar to, but different to, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided on page 31 and 32, in the financial review section of the performance report. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on gov.uk.

The SOPS provides a detailed view of financial performance, in a form that is voted on and recognised by Parliament. The financial review, in the Performance Report, provides a summarised discussion of outturn against estimate as an introduction to the SOPS disclosures.

Summary of Resource and Capital Outturn 2025-26 (all figures provided in £000's)

Type of Spend	SOPS Note	2025-26			2025-26			2025-26			2025-26			2024-25		
		Outturn			Estimate			Outturn v Estimate savings (excess)			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	Voted £000	Non-Voted £000	Total £000
Departmental Expenditure Limit Resource Capital	1.1	6,025	-	6,025	6,532	-	6,532	507	-	507	507	-	507	507	-	5,773
	1.2	-	-	-	975	-	975	975	-	975	975	-	975	975	-	-
	Total	6,025	-	6,025	7,507	-	7,507	1,482	-	1,482	1,482	-	1,482	1,482	-	5,773
Total Budget Resource Capital		6,025	-	6,025	6,532	-	6,532	507	-	507	507	-	507	507	-	5,773
		-	-	-	975	-	975	975	-	975	975	-	975	975	-	-
		6,025	-	6,025	7,507	-	7,507	1,482	-	1,482	1,482	-	1,482	1,482	-	5,773
Total Budget Expenditure		6,025	-	6,025	7,507	-	7,507	1,482	-	1,482	1,482	-	1,482	1,482	-	5,773
Non-Budget Expenditure		24,467,623	-	24,467,623	24,671,414	-	24,671,414	203,791	-	203,791	203,791	-	203,791	203,791	-	22,344,636
Total Budget and Non-Budget		24,473,648	-	24,473,648	24,678,921	-	24,678,921	205,273	-	205,273	205,273	-	205,273	205,273	-	22,350,409

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 2025-26 all figures presented in £000's

	Item	SOPS Note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Prior Year Outturn Total 2024-25
Net cash requirement		3	24,473,670	24,679,616	205,946	22,350,133

Administration costs 2025-26

	Type of Spend	SOPS Note	Outturn	Estimate	Outturn vs Estimate: saving/ (excess)	Prior Year Outturn Total 2024-25
Administration costs		1.1	5,990	6,471	481	5,746

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 2025-26 (£000's)

SOPS1 Outturn detail, by Estimate Line

SOPS1.1 Analysis of outturn by Estimate line

	Resource Outturn			Estimate			Outturn vs Estimate savings (excess)	Prior Year Outturn Total 2024-25				
	Administration	Programme		Total								
Type of Spend (Resource)	Gross	Income	Net	Gross	Income	Net	Total	Virement	Total Inc. virements			
Spending in Departmental Expenditure Limits (DEL)												
Voted Expenditure												
A - Wales Office	5,990	-	5,990	35	-	35	6,025	6,532	-	6,532	507	5,773
Total voted DEL	5,990	-	5,990	35	-	35	6,025	6,532	-	6,532	507	5,773
Total spending in DEL	5,990	-	5,990	35	-	35	6,025	6,532	-	6,532	507	5,773
Non Budget Expenditure												
C - Grant Payable to the Welsh Consolidated Fund	-	-	-	20,864,907	-	20,864,907	20,864,907	21,068,698	-	21,068,698	203,791	18,853,505
D - Payover of Welsh Rates of Income Tax to Welsh Consolidated Fund	-	-	-	3,602,716	-	3,602,716	3,602,716	3,602,716	-	3,602,716	-	3,491,131
Total Non Budget Expenditure	-	-	-	24,467,623	-	24,467,623	24,467,623	24,671,414	-	24,671,414	203,791	22,344,636
Total Resource	5,990	-	5,990	24,467,658	-	24,467,658	24,473,648	24,677,946	-	24,677,946	204,298	22,350,409

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

Type of Spend (Capital)	Outturn		Estimate		Outturn vs Estimate savings (excess)	Prior Year Outturn 2024-25
	Gross	Net	Total	Total inc virements		
Spending in Departmental Expenditure Limits (DEL)						
Voted Expenditure						
A - Capital	-	-	975	-	975	-
Total Voted DEL	-	-	975	-	975	-
Total spending in DEL	-	-	975	-	975	-
Total Capital	-	-	975	-	975	-

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 2024-25
		£000	£000
Total resource outturn	SOPS 1.1		
Budget		6,025	5,773
Non-Budget		24,467,623	22,344,636
Total		24,473,648	22,350,409
Net Operating Expenditure in Statement of Comprehensive Net Expenditure	SOCNE	24,473,648	22,350,409

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

SOPS3 Reconciliation of Net Resource Outturn to Net Cash Requirement

Item	Reference	Outturn total	Estimate	Outturn vs Estimate savings/ (excess)
		£000	£000	£000
Total Resource outturn	SOPS1.1	24,473,648	24,677,946	204,298
Total Capital outturn	SOPS1.2	-	975	975
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(269)	(395)	(126)
Other non-cash items		(86)	-	86
<i>Adjustments to reflect movements in working balances:</i>				
Increase in receivables		18	-	(18)
Decrease in payables		42	-	(42)
Decrease in creditors*		317	1,090	773
Total		22	695	673
Net cash requirement		24,473,670	24,679,616	205,946

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.

*Payment of IFRS 16 Leases (Principal).

SOPS4 Amounts of income payable to the Consolidated Fund

The Department collected the following sums where it was acting as an agent for the Consolidated Fund rather than the principal (with transactions excluded from the financial statements):

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

	Outturn Total	Prior Year Outturn 2024-25
	£000	£000
Student Loans	69,943	31,980
Bank Interest	2,901	2,638
Other	26	18,815
Amount payable to the Consolidated Fund	72,870	53,433
Balance held at the start of the year	-	-
Payments into the Consolidated Fund	72,870	53,433
Balances held on trust at the end of the year	-	-

The total income paid into the Consolidated Fund as at 31st March 2025 and 31 March 2026 were:

	Outturn Total	Prior Year Outturn 2024-25
	£000	£000
Income from 2024-25		53,433
Income from 2025-26	72,870	
	72,870	53,433

3. Parliamentary Accountability Disclosures

3.1 Regularity of Expenditure

We are custodian of taxpayers' funds and have a duty to Parliament to ensure the regularity and propriety of our activities and expenditure. We manage public funds in line with HM Treasury's Managing Public Money. The disclosures made within the Parliamentary Accountability and Audit Report are indicative of this.

The importance of operating with regularity and the need for efficiency, economy, effectiveness and prudence in the administration of public resources to secure value for public money, is the responsibility of our Accounting Officer whose responsibilities are also set out in Managing Public Money.

The manner in which the Accounting Officer and the wider department discharges its responsibilities in the administration of public resources are detailed within the Statement of Accounting Officer Responsibilities and the Governance Statement.

3.2 Losses and Special Payments (subject to audit)

The Wales Office has made no losses and special payments in 2025-26 (2024-25 Nil).

3.3 Other Payments (subject to audit)

The Wales Office has made not made any significant payments in 2025-26 (2024-25 Nil).

3.4 Fees and Charges (subject to audit)

The Wales Office does not have any fees and charges. (2024-25 nil).

3.5 Remote Contingent Liabilities (subject to audit)

The Wales Office does not have any remote contingent liabilities.



Ciarán Hayes
Accounting Officer
10th July 2026

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 2026 under the Government Resources and Accounts Act 2000.

The financial statements comprise the Wales Office's

- Statement of Financial Position as at 31 March 2026;
- 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 Wales Office's affairs as at 31 March 2026 and its net 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 2026 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 Bodies in the United Kingdom (2024)*. 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 2024*. 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 Wales Office's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

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

Other information

The other information comprises information included in the Annual Report but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions issued 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:

- adequate accounting records have not been kept by the Wales Office or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; 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 is 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;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Wales Office from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- preparing financial statements which give a true and fair view, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- assessing the Wales Office's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Wales Office will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

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

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

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, I:

- considered the nature of the sector, control environment and operational performance including the design of the Wales Office's accounting policies.
- inquired of management, the head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Wales Office's policies and procedures on
 - identifying, evaluating and complying with laws and regulations;
 - detecting and responding to the risks of fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Wales Office's controls relating to the Wales Office's compliance with the Government Resources and Accounts Act 2000, the Government of Wales Act 2006, Managing Public Money and the Supply and Appropriation (Main Estimates) Act 2025;

- inquired of management, the head of internal audit and those charged with governance whether:
 - they were aware of any instances of non-compliance with laws and regulations;
 - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with 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 Wales Office for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals and complex transactions and bias in managements estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Wales Office's framework of authority and other legal and regulatory frameworks in which the Wales Office operates. I focused 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 Wales Office. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, the Government of Wales Act 2006, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2025, employment law and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management and the Audit and Risk Assurance Committee concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports; and
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on 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 communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including 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 required to obtain sufficient appropriate audit evidence to give reasonable assurance that the 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.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies 13 July 2026
Comptroller and Auditor General

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 2026

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.

		2025-26	2024-25
		Core Department	Core Department
	Note	£000	£000
Income		-	-
Total operating income		-	-
Staff Costs	2	4,222	4,212
Accommodation, maintenance and utilities	2	693	739
Depreciation and Impairment charges	2	269	277
Other operating expenditure	2	730	437
Grant Payable to the Welsh Consolidated Fund	2	20,864,907	18,853,505
Pay over of Welsh Rates of Income Tax to the WCF	2	3,602,716	3,491,131
Lord Lieutenants' expenses	2	35	27
Total operating expenditure		24,473,572	22,350,328
Finance charge	2	76	81
NLF interest Payable		16,249	12,255
NLF interest Receivable		(16,249)	(12,255)
Net expenditure		24,473,648	22,350,409
Comprehensive Net Expenditure for the year		24,473,648	22,350,409

All income and expenditure relate to continuing activities.
The notes on pages 89-105 form part of these accounts

Statement of Financial Position As at 31 March 2026

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 2026 £000	31 March 2025 £000
Non-current assets:			
Property, plant and equipment	3	10	39
Right of use assets	4	2,908	3,148
Financial assets	7	511,429	399,555
Total non-current assets		514,347	402,742
Current assets:			
Trade and other receivables	8	15,914	12,721
Cash and cash equivalents	5	75	22
Total current assets		15,989	12,743
Total Assets		530,336	415,485
Current liabilities			
Trade and other payables	9	(17,550)	(14,463)
Total current liabilities		(17,550)	(14,463)
Assets less net current liabilities		512,786	401,022
Non-current liabilities			
Lease obligations	9	(2,809)	(3,028)
Financial liabilities	9	(511,429)	(399,555)
Total non-current liabilities		(514,238)	(402,583)
Assets less liabilities		(1,452)	(1,561)
Taxpayers' equity:			
General fund		(1,454)	(1,566)
Revaluation reserve		2	5
Total equity		(1,452)	(1,561)

The notes on pages 89-105 form part of these accounts



Ciarán Hayes
Accounting Officer
10th July 2026

Statement of Cash Flows

For the year ended 31 March 2026

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	2025-26 £000	2024-25 £000
Cash flows from operating activities			
Net operating expenditure	SOCNE	(24,473,648)	(22,350,409)
Adjustments for non-cash transactions	2	355	346
Increase in trade and other receivables	8	(3,193)	(3,456)
<i>Less: Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure¹</i>	8	3,175	3,415
Increase in trade and other payables	9	114,742	72,735
<i>Less: Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure¹</i>	9	(114,708)	(72,645)
Net cash outflow from operating activities		(24,473,277)	(22,350,014)
Cash flows from investing activities			
Loan repayments from other bodies (capital)	8	10,602	7,998
Loan repayments from other bodies (interest)	SOCNE	16,249	12,255
Net cash inflow from investing activities		26,851	20,253
Cash flows from financing activities			
From the Consolidated Fund (Supply) – Current Year ²		24,473,723	22,350,086
Payment of Lease liabilities		(317)	(38)
Finance charge	2	(76)	(81)
Repayment of loans from the NLF (capital) ³	8	(10,602)	(7,998)
Repayment of loans from the NLF (interest) ³	SOCNE	(16,249)	(12,255)
Net financing		24,446,479	22,329,714
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund	5	53	(47)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		72,870	53,433
Payments of amounts due to the Consolidated Fund ⁴		(72,870)	(53,434)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	5	53	(48)
Cash and cash equivalents at the beginning of the period	5	22	70
Cash and cash equivalents at the end of the period	5	75	22

The notes on pages 89-105 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 2026

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 2024		(1,366)	11	(1,355)
Net Parliamentary Funding				
- Drawn down	SCF	22,350,086	-	22,350,086
- Deemed		70	-	70
Unspent Supply drawn down repayable to the Consolidated Fund	9	(22)	-	(22)
Comprehensive Net Expenditure for the year	SOCNE	(22,350,409)	-	(22,350,409)
Non-cash charges				
Auditor's remuneration	2	69	-	69
Movements in Reserves				
- Transfers between reserves		6	(6)	-
Balance at 31 March 2025		(1,566)	5	(1,561)
Balance at 1 April 2025		(1,566)	5	(1,561)
Net Parliamentary Funding				
- Drawn down	SCF	24,473,723	-	24,473,723
- Deemed	9	22	-	22
Unspent Supply drawn down repayable to the Consolidated Fund	9	(75)	-	(75)
Comprehensive Net Expenditure for the year	SOCNE	(24,473,648)	-	(24,473,648)
Non-cash charges				
Auditor's remuneration	2	86	-	86
Other Reserve Movements				
- Other		-	1	1
Movements in Reserves				
- Transfers between reserves		4	(4)	-
Balance at 31 March 2026		(1,454)	2	(1,452)

The notes on pages 89-105 form part of these accounts

Notes to the Accounts for the year ended 31 March 2026

1a) Statement of accounting policies

1.1 Basis of preparation

In accordance with the direction received from HM Treasury under the Government Resources and Accounts Act 2000 (GRAA), these financial statements have been prepared in accordance with the Government Financial Reporting Manual 2025 to 2026 (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 ("the 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.

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

1.2 Going concern

The accounts for 2025-26 have been prepared on a going concern basis, the period considered to be 12 months from the approval of these accounts to July 2027. 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 2027 will be approved by Parliament in summer 2026.

The funding for the Department in 2026-27 was confirmed in the 2025 Spending Review.

Until the 2026-27 Departmental funding is approved by Parliament, HM Treasury publishes a "Vote on Account" before Parliament which provides authority for spending on continuing services by departments in the early part of the following financial year (until the legislation authorising the Main Estimates obtains Royal Assent). The amounts required in the Vote on Account are normally a standard 45 percent of the amounts already voted the corresponding services in the current year, taking account of the Main Estimates and any Revised or Supplementary Estimates already approved by Parliament.

The going concern basis of accounting for the Department is adopted in consideration of the requirements set out in HM Treasury's Government

Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue. For the above reasons it has been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

1.3 Accounting convention

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

1.4 Changes in accounting policies

Accounting policies are unchanged compared to those in the 2024-25 financial statements except for the changes explained in section 1.5.

1.5 New accounting standards adopted in the year and FReM changes

The Wales Office has reviewed the standards, interpretations and amendments to published accounting standards effective in 2025-26 that are relevant to its operations. No material changes to accounting policies have arisen, other than those reflected in the updated HM Treasury Government Financial Reporting Manual (FReM).

In accordance with the FReM requirements for non-investment assets, the Office continues to classify its assets on the basis of their operational capacity.

The Office holds a small volume of low-value assets, principally IT and office equipment. Management has therefore exercised judgement in determining that depreciated historic cost is a reasonable proxy for current value in existing use. On this basis, formal revaluations are not performed, as they are not expected to result in material adjustments to the financial statements.

1.6 Applicable accounting standards issued but not yet adopted

IFRS 18 'Presentation and Disclosure in Financial Statements'

IFRS 18 Presentation and Disclosure in Financial Statements, will replace IAS 1 Presentation of Financial Statements and is effective for annual reporting periods beginning on or after the 1 January 2027 in the private sector. The impact of IFRS 18 on the Public Sector is still being assessed, and a decision has not yet been taken on an implementation date. The Department will follow any future requirements set out in the Government Financial Reporting Manual in respect of this new standard.

IFRS 19 ‘Subsidiaries without Public Accountability: Disclosures’

IFRS 19, “Subsidiaries without Public Accountability: Disclosures,” allows eligible subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements and is effective for annual reporting periods beginning on or after the 1 January 2027 in the private sector. The impact of IFRS 19 on the Public Sector is still being assessed, and a decision has not yet been taken on an implementation date.

IFRS 19 will have no impact on the Wales Office accounts.

1.7 Operating segments

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

1.8 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.

Revaluation

Due to the small number and low value of assets held in line with the FReM management has exercised judgement in determining that depreciated historic cost provides a reasonable proxy for current value in existing use, as these assets have short useful lives and are not subject to significant price volatility.

On this basis, formal revaluations are not undertaken, as they are not expected to result in material adjustments to the financial statements.

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).

Capitalisation threshold – Intangible Assets

Expenditure on computer software licences lasting more than one year and costing more than £1,000 is capitalised and classified as intangible assets.

The Office does not have any Intangible Assets.

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 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.

1.9 Leases

The Office adopted IFRS 16 “leases” from 1st April 2022 in accordance with the FReM.

Initial recognition

At the commencement of a lease, the Office recognises a right of use asset and a lease liability.

Under the FREM interpretation of IFRS 16 the definition of a contract was 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.

Lease liability

The lease liability is measured at the value of the remaining lease payments discounted either by the interest rate implicit in the lease or, where this is not readily determinable, the department's incremental rate of borrowing. This rate is advised annually by HM Treasury (0.95% for leases that commenced, transitioned, or were remeasured in the calendar year 2022, 4.81% for those commencing or remeasured in 2025).

Right of use asset

The right of use asset is measured at the value of the lease liability, adjusted for:

- any lease payments made before the commencement date.
- any lease incentives received.
- any incremental costs of obtaining the lease, and
- any costs of removing the asset and restoring the site at the end of the lease

However, in accordance with the FREM, where the lease requires nil or nominal consideration (usually referred to as a 'peppercorn' lease) the asset will instead be measured at its existing use value, using market prices or rentals for equivalent land and properties, with the difference between the carrying amount of the right of use asset and lease liability treated, upon transition, as notional income.

Subsequent measurement

Right-of-use assets are subsequently measured in line with the class of PPE asset to which the lease relates. The cost model for IFRS 16 is used as a proxy for valuation except where:

- A longer-term contract that has no provisions to assess lease payments for market conditions.
- There is a significant period of time between these assessments.

- The valuation of the underlying asset is likely to fluctuate significantly due to changes in market prices.

The value of the asset is adjusted for subsequent depreciation and impairment, and for reassessments and modifications of the lease liability as described below. Where the amount of a reduction to the asset exceeds the carrying value of the asset, the excess amount is recognised as expenditure in the SoCNE.

The lease liability will be adjusted for the accrual of interest, repayments, reassessments, and modifications. Reassessments are reappraisals of the probability of the options given by the existing lease contract, for example where we no longer expect to exercise an option; modifications are changes to the lease contract. Reassessments and modifications are accounted for by either by:

- recalculating the lease term under any new contract terms, taking account of the reasonable certainty or otherwise of exercising an option; or
- applying a new discount rate where applicable.

Expenditure charged to the SoCNE for each financial year includes interest on the lease liability and a straight-line depreciation charge on the right of use. Lease payments are debited against the liability

Depreciation of right-of-use assets

Right-of-use assets are depreciated on a straight-line basis from commencement date to the earlier of the end of:

- Useful life of the right-of-use asset, assessed as the same as the class of PPE asset to which the lease relates.
- Lease term.

Measurement of lease liability

New leases are measured in the way set out above.

1.10 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.

1.11 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 defined benefit scheme is a multi-employer scheme where the share of assets and liabilities cannot be separately identified for each employer.

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.

1.12 Operating income

The Wales Office does not have any operating income.

1.13 Consolidated Fund Extra Receipts (CFERs)

CFERs balances are calculated on an accrual's 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. The Wales Office acts as an Agent of the Consolidated Fund. The CFERs received and paid over go through the SoFP. See Note SOPS 4.

1.14 Administration and Programme expenditure

The Statement of Comprehensive Net Expenditure comprises administration expenditure for the running costs of the Wales Office 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.

1.15 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.

The Wales Office did not have any provisions in 2025-26 (Nil 2024-25).

1.16 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.

1.17 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 Director, to the Treasury Accountant at His 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 case of default by the Welsh Government. This effectively means the NLF loans will be repaid from the Departments 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.

1.18 Significant accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The preparation of the financial statements requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. There are no reported estimates and assumptions that will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. Expenditure

	<u>31 March 2026</u>	<u>31 March 2025</u>
	<u>£000</u>	<u>£000</u>
*Staff Costs:		
Wages and Salaries	3,137	3,190
Social Security Costs	366	303
Other Pension Costs	719	719
Goods and Services:		
Accommodation, maintenance and utilities	693	739
Communications, office supplies and services	55	40
Official Cars Hire	55	33
IT services & telecommunications (non-service concession arrangements)	14	53
Other contracted out services	17	22
Professional services	44	29
Travel and subsistence	127	91
Training and other staff related costs	29	11
Bank fees and charges	2	3
Other administration expenditure	1	4
Events and Conferences	12	16
Allocation of overheads	288	66
Lord Lieutenants' expenses	35	27
Non-cash items		
Depreciation	269	277
**Auditors' remuneration and expenses	86	69
Finance charge on leases	76	81
Welsh Consolidated Fund		
Grant Payable to the Welsh Consolidated Fund	20,864,907	18,853,505
Payover of Welsh Rates of Income Tax to the WCF	3,602,716	3,491,131
Total Expenditure	<u>24,473,648</u>	<u>22,350,409</u>

* Further analysis of staff costs is located in the Accountability Report (on page 62).

** The Wales Office did not purchase any non-audit services from the National Audit Office.
(2024-25 nil)

3. Property, Plant and Equipment

	Information Technology	Plant & Equipment	Furniture & Fittings	Total
	£000	£000	£000	£000
2025-26				
Cost or valuation				
At 1 April 2025	46	133	71	250
Disposals	-	-	(3)	(3)
Revaluations	-	-	-	-
At 31 March 2026	46	133	68	247
Depreciation				
At 1 April 2025	(38)	(102)	(71)	(211)
Charged in year	(6)	(23)	-	(29)
Disposals	-	-	3	3
Revaluations	-	-	-	-
At 31 March 2026	(44)	(125)	(68)	(237)
Net book value at 31 March 2026	2	8	-	10
Net book value at 1 April 2025	8	31	-	39
All assets are owned by the Wales Office	2	8	-	10

The Wales Office does not have any property assets.

3.a Property, Plant and Equipment

	Information Technology	Plant & Equipment	Furniture & Fittings	Total
	£000	£000	£000	£000
2024-25				
Cost or valuation				
At 1 April 2024	46	154	253	453
Disposals	-	(22)	(187)	(209)
Revaluations	-	1	5	6
At 31 March 2025	46	133	71	250
Depreciation				
At 1 April 2024	(31)	(93)	(253)	(377)
Charged in year	(7)	(30)	-	(37)
Disposals	-	22	187	209
Revaluations	-	(1)	(5)	(6)
At 31 March 2025	(38)	(102)	(71)	(211)
Net book value at 31 March 2025	8	31	-	39
Net book value at 1 April 2024	15	61	-	76
All assets are owned by the Wales Office	8	31	-	39

The Wales Office does not have any property assets.

4. Right of Use Leased Assets

The Right of use lease assets comprise leased buildings from the Government Property Agency (GPA).

	Buildings	Total
	£000	£000
2025-26		
Cost or valuation		
At 1 April 2025	3,949	3,949
At 31 March 2026	3,949	3,949
Depreciation		
At 1 April 2025	(801)	(801)
Charged in year	(240)	(240)
At 31 March 2026	(1,041)	(1,041)
Net book value at 31 March 2026	2,908	2,908
Net book value at 1 April 2025	3,148	3,148
	Buildings	Total
	£000	£000
2024-25		
Cost or valuation		
At 1 April 2024	3,949	3,949
At 31 March 2025	3,949	3,949
Depreciation		
At 1 April 2024	(561)	(561)
Charged in year	(240)	(240)
At 31 March 2025	(801)	(801)
Net book value as at 31 March 2025	3,148	3,148
Net book value as at 1st April 2024	3,388	3,388

The Department adopted IFRS 16 “Leases” from the 1 April 2022 in agreement with HM Treasury.

5. Cash and cash equivalents

	31 March 2026	31 March 2025
	£000	£000
Balance at 1 April 2025	22	70
Net change in cash and cash equivalents	53	(48)
Balance as at 31 March 2026	75	22

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 National Loans Fund (NLF)

	Loans funded from National Loans Fund £000
Cost or valuation	
At 1 April 2024	330,157
Loans repayable within 12 months transferred to receivables	(10,602)
Addition - New Capital Loan from the NLF for the Welsh Government	80,000
Balance at 31 March 2025	399,555
At 1 April 2025	399,555
Loans repayable within 12 months transferred to receivables	(13,126)
*Additions - New Capital Loan from the NLF for the Welsh Government	125,000
Balance at 31 March 2026	511,429

*Under Section 122a of the Government of Wales Act 2006 (GOWA) the Welsh Government can borrow up to £1bn for capital expenditure. In March 2026 the Welsh Government requested to borrow £125m for capital expenditure from the National Loans Fund.

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

8. Trade Receivables and other current assets

	31 March 2026	31 March 2025
	£000	£000
Amounts falling due within one year:		
Trade receivables	3	3
VAT receivables	71	36
Deposits and advances	7	9
Other receivables	17	17
Prepayments and accrued income	-	15
Current part of NLF loan – interest receivable	2,690	2,039
Current part of NLF loan – capital	13,126	10,602
Total receivables	15,914	12,721

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

9. Trade Payables and other current liabilities

	31 March 2026	31 March 2025
	£000	£000
Amounts falling due within one year:		
Other taxation and social security	159	153
Trade payables	1	92
Other payables	251	17
Accruals	942	1,057
Current part of lease liabilities	306	481
Current part of NLF loan – capital	13,126	10,602
Current part of NLF loan – interest payable	2,690	2,039
Amounts issued from the Consolidated Fund for supply but not spent at year end	75	22
Total payables	17,550	14,463

	31 March 2026	31 March 2025
Amounts falling due after more than one year:		
Lease Liabilities	2,809	3,028
NLF Loans	511,429	399,555
Total payables	514,238	402,583

10. Lease Obligations

Total future lease liabilities under lease obligations are given in the table below for each of the followig periods

	31 March 2026	31 March 2025
	£000	£000
Buildings:		
No later than 1 year	376	557
Later than 1 year but not later than 5 years	1,152	1,152
Later than 5 years	1,996	2,284
Total payables	3,524	3,993
Less the interest element	409	485
Present value of obligations as at 31 March 2026	3,115	3,508

11. Capital and Other Commitments

The Wales Office does not have any capital or other commitments.

12. Related party transactions

Associated Departments and other central Government bodies

The Wales Office funds the Welsh Government. The Welsh Government, HMRC and the Government Property Agency are regarded as a related party with whom the Wales Office has had various material transactions during the year.

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

No minister, board member, key manager or other related parties has undertaken any material transactions with the Department during the year. All compensation for senior management is disclosed in full in the Remuneration Report.

13. Events after the Reporting Period

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

There are no material events to report.

Appendix 1: Public Expenditure Core Financial Tables

TABLE 1

Spending by Wales Office & Welsh Government 2019-20 to 2026-28

	2019-20 Outturn £'000	2020-21 Outturn £'000	2021-22 Outturn £'000	2022-23 Outturn £'000	2023-24 Outturn £'000	2024-25 Outturn £'000	2025-26 Plans Outturn £'000	2025-26 Plans Outturn £'000	2026-27 Plans £'000
Wales Office Expenditure									
Resource expenditure within Administration Costs	4,486	4,406	5,887	5,295	5,555	5,746	6,471	5,990	5,295
Other resource expenditure	195	276	77	25	30	27	61	35	1,442
Wales Office Resource ⁽²⁾	4,681	4,682	5,964	5,320	5,585	5,773	6,532	6,025	6,737
Wales Office Capital	45	73	0	39	-1,050	0	975	0	30
Wales Office Resource + Capital DEL ⁽²⁾	4,726	4,755	5,964	5,359	4,535	5,773	7,507	6,025	6,767
<i>less depreciation & impairments</i>	<i>-157</i>	<i>-163</i>	<i>-49</i>	<i>-366</i>	<i>-277</i>	<i>-277</i>	<i>-395</i>	<i>-269</i>	<i>0</i>
Wales Office DEL ⁽³⁾	4,569	4,592	5,915	4,993	4,258	5,496	7,112	5,756	6,767

Welsh Government Expenditure (The Welsh Block)⁽⁶⁾

Resource ⁽³⁾	12,858,683	18,623,377	16,252,301	15,962,245	16,874,661	18,092,519	22,113,971	21,389,840	18,951,986
Capital	2,131,160	3,297,143	2,938,766	2,644,881	3,047,012	3,209,911	3,437,702	3,306,168	3,607,478
Total Resource + Capital	14,989,843	21,920,520	19,191,067	18,607,126	19,921,673	21,302,430	25,551,673	24,696,008	22,559,464
<i>less depreciation & impairments⁽⁴⁾</i>	<i>-768,478</i>	<i>-1,057,423</i>	<i>174,661</i>	<i>-523,806</i>	<i>-406,142</i>	<i>-1,112,039</i>	<i>-3,693,686</i>	<i>-3,086,710</i>	<i>0</i>
Welsh Government DEL ⁽³⁾⁽⁵⁾	14,221,365	20,863,097	19,365,728	18,083,320	19,515,531	20,190,391	21,857,987	21,609,298	22,559,464

(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 2024-25:
Provision & Final Outturn**

	Original Provision £000	Final Provision £000	Final Outturn £000
Expenditure Classified as DEL⁽¹⁾	20,585,731	21,669,425	21,302,430
Expenditure Classified as AME	1,786,611	2,248,344	1,618,195
Expenditure Financed by Welsh Taxes	3,753,292	3,833,324	3,857,883
Expenditure Financed by Capital Borrowing	150,000	150,000	80,000
Non Domestic Rates	1,139,000	1,079,000	1,082,842
Total Managed Expenditure	27,414,634	28,980,093	27,941,350
<i>Less:</i>			
<i>Non Voted expenditure:</i>			
LA Credit Approvals	88,800	88,800	88,800
Other Non-Voted	6,078	6,078	6,078
<i>Wales Act 2014 Transactions:</i>			
Income from Welsh taxes:			
Income Tax	3,491,131	3,491,131	3,491,131
Land Transaction Tax	243,731	319,459	340,612
Landfill Disposal Tax	28,340	30,732	34,138
Repayment of principle of loans	(9,910)	(7,998)	(7,998)
Capital Borrowing	150,000	150,000	80,000
<i>Non-Cash:</i>			
Resource Ringfenced Non Cash	1,049,686	1,237,929	1,112,039
AME Non-cash	916,766	1,328,692	618,147
TOTAL NON VOTED TME	5,964,622	6,644,823	5,762,947
TOTAL VOTED TME	21,450,012	22,335,270	22,178,403
Less Voted receipts:			
Contributions from the National Insurance Fund	1,613,366	1,655,670	1,655,670
NDR Receipts	1,122,627	1,089,554	1,089,554
Add Timing Adjustments:			
Increase / Decrease in Debtors & Creditors	608,010	176,630	(383,073)
Use of Provisions	0	0	(196,601)
Cash Grant payable to Welsh Consolidated Fund by Wales Office	19,322,029	19,766,676	18,853,505
<i>Welsh Rate of Income Tax</i>	<i>3,491,131</i>	<i>3,491,131</i>	<i>3,491,131</i>
Total cash requirement including Welsh Rate of Income Tax	22,813,160	23,257,807	22,344,636

Notes

(1) Resource and capital DEL including depreciation

(2) Totals may not sum due to roundings.

TABLE 3**Cash grant paid to the Welsh Consolidated Fund 2025-26:
Provision & Provisional Outturn**

	Original Provision £000	Final Provision £000	Provisional Outturn £000
Expenditure Classified as DEL⁽¹⁾	22,638,841	25,210,781	24,696,008
Expenditure Classified as AME	1,656,038	2,177,284	1,327,357
Expenditure Financed by Welsh Taxes	3,967,047	3,967,859	3,978,114
Expenditure Financed by Capital Borrowing	150,000	150,000	125,000
Non Domestic Rates	1,078,000	1,078,000	1,076,323
Total Managed Expenditure	29,489,926	32,583,924	31,202,802
<i>Less:</i>			
<i>Non Voted expenditure:</i>			
LA Credit Approvals	88,800	88,800	88,800
Other Non-Voted	6,078	6,078	6,078
<i>Wales Act 2014 Transactions:</i>			
Income from Welsh taxes:			
Income Tax	3,602,716	3,602,716	3,602,716
Land Transaction Tax	342,912	342,912	352,905
Landfill Disposal Tax	32,833	32,833	33,095
Repayment of principal of loans	(11,414)	(10,602)	(10,602)
Capital Borrowing	150,000	150,000	125,000
<i>Non-Cash:</i>			
Resource Ringfenced Non Cash	1,237,929	3,693,685	3,086,710
AME Non-cash	792,069	1,270,376	62,369
TOTAL NON VOTED TME	6,241,923	9,176,798	7,347,071
TOTAL VOTED TME	23,248,003	23,407,126	23,855,731
Less Voted receipts:			
Contributions from the National Insurance Fund	1,166,251	1,724,724	1,724,724
NDR Receipts	1,715,158	1,144,699	1,144,699
Add Timing Adjustments:			
Increase / Decrease in Debtors & Creditors	500,000	530,995	87,681
Use of Provisions	0	0	(209,082)
Cash Grant payable to Welsh Consolidated Fund by Wales Office	20,866,594	21,068,698	20,864,907
<i>Welsh Rate of Income Tax</i>	<i>3,602,716</i>	<i>3,602,716</i>	<i>3,602,716</i>
Total cash requirement including Welsh Rate of Income Tax	24,469,310	24,671,414	24,467,623

Notes

(1) Resource and capital DEL including depreciation.

TABLE 4**Calculation of Cash Grant Payable to Welsh Consolidated Fund 2026-27**

	2026-27 £000
Expenditure Classified as DEL (Block Grant) ⁽¹⁾	22,559,463
Expenditure Classified as AME	3,063,099
Expenditure Financed by Welsh Taxes	4,399,380
Expenditure Financed by Capital Borrowing	165,000
Expenditure Financed by Non Domestic Rates	1,101,000
Total Managed Expenditure	31,287,942
<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	3,976,926
Land Transaction Tax	399,017
Landfill Disposal Tax	36,563
Repayment of principal of loans	(13,126)
Capital Borrowing	165,000
Resource Ringfenced Non Cash	1,366,654
AME Non-cash	878,439
Sub-Total	6,904,351
TOTAL SUPPLY EXPENDITURE	24,383,591
Less receipts:	
Contributions from the National Insurance Fund	1,769,869
NDR Receipts	1,127,616
Add Timing Adjustments:	
Increase / Decrease in Debtors & Creditors	382,000
Cash Grant payable to Welsh Consolidated Fund by Wales Office	21,868,106
<i>Welsh Rate of Income Tax</i>	<i>3,976,926</i>
Total cash requirement including Welsh Rate of Income Tax	25,845,032

Notes

(1) Resource and capital DEL including depreciation

