



Wales Office
Swyddfa Cymru

Wales Office

**Annual Report and
Accounts 2012-13**



Wales Office Swyddfa Cymru

Annual Report and Accounts 2012-13

(For the year ended 31 March 2013)

Accounts presented to the House of Commons
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1 Ministerial Foreword

This is my first annual report and accounts since becoming Secretary of State for Wales.

It is an honour to represent Wales in the Cabinet and I am committed to representing Welsh interests nationally and internationally.

Improving infrastructure is a key element in growing the Welsh economy. In the last year, the Wales Office has worked tirelessly to help secure a number of significant infrastructure projects in Wales.

I was pleased by the announcement of the commitment to electrification of the Great Western main line to Swansea and the Cardiff Valley lines. My predecessor and I worked hard across Government and with stakeholders to help secure this important project and I am delighted it will be going ahead. In the same month we also announced our commitment to build a Western rail extension to Heathrow which will see South Wales connected to the UK's main air hub for the first time.

After taking up the position of Secretary of State, I entertained a number of the prospective bidders for the Horizon Nuclear project and it was a great pleasure to see this deal secured by Hitachi. New nuclear is vital to the UK's energy security and that the development of Wylfa B will help secure and create jobs on Anglesey for many decades to come.

My visit to South-East Asia has shown the opportunities for Wales to compete on a global stage. I am committed to supporting Welsh businesses and Higher Education Institutions looking to expand into overseas markets. I was delighted to meet a number of innovative British companies, many of them Welsh, doing just that in Japan, Vietnam and Hong Kong.

Following last year's Green Paper consultation, we will now take forward changes to how the National Assembly for Wales is elected. We will publish a draft Wales Bill to move the Assembly to five year fixed terms, making it less likely that Assembly elections will coincide with parliamentary elections in future. The Bill will also give greater choice to candidates by restoring their right to stand in both a constituency and a region at Assembly elections and will ensure that individuals cannot sit simultaneously as Members of both Parliament and the Assembly.

Last year also saw the publication of the first report from the Commission on Devolution in Wales (Silk Commission) on the devolution of fiscal powers to the Assembly and the Welsh Government. A further report from the Commission

on any modifications it considers may be needed to the Welsh devolution settlement will be submitted to me early next year.

The Wales Office, one of the Government's smallest Departments, has faced a challenging CSR settlement. We have reduced the cost of running the Department and are well placed to meet our settlement. We are committed to finding the efficiencies needed to meet our spending targets.

I would like to take this opportunity to thank all the dedicated staff at the Wales Office for their hard work and determination, and also Stephen Crabb MP and Baroness Randerson for their excellent contributions as the Parliamentary Under-Secretaries of State (PUSS) in the Department.

In the coming year the work of the Wales Office will be focussed on securing further investment in Wales's infrastructure network and working with business to ensure the right conditions for growth.

Rt Hon. David Jones MP
Secretary of State for Wales

2 Director's Statement

I am pleased to introduce the Wales Office's Annual Report and Accounts 2012-13.

It is a privilege to be Acting Director of the Wales Office at such an exciting time. The past year has seen the Department perform well against its core objectives of promoting the economic interests of Wales, overseeing and maintaining the devolution settlement and providing a strong voice for Wales within the Government. At the same time we have strived to provide greater value for money. We have succeeded in making ourselves leaner and more efficient, driving down costs without compromising the quality of our work. All of this has only proved possible because of the support, dedication and professionalism of staff from across the Wales Office. It is important that we build on this in the coming year as we promote the best interests of Wales within the United Kingdom.

Glynne Jones
Acting Director, Wales Office

3 Achievements by Objective 2012-13

This reporting period has seen the Wales Office build on its success in the previous year, which included the establishment of the Commission on Devolution in Wales and announcements of significant infrastructure investments such as rail electrification and broadband.

The Welsh economy has remained a top priority focus for the Department. We have seen the first Wales Office Job Summit to promote employment incentives available to small and medium sized businesses to employ young people.

The Wales Office has also actively supported investment in Wales's infrastructure network, including the further electrification of the Great Western Mainline to Swansea, the new Wylfa Nuclear Plant and the expansion of the Urban Broadband scheme which will result in Newport benefitting from super connected city status in the near future. We have also engaged with stakeholders across Wales on a range of future investment projects including the need to develop a local led business case for electrification of the North Wales Rail line, the upgrade of the M4, the opportunities for Welsh ports and the feasibility of North Wales as a location for a new prison.

Away from the economy, the Wales Office has supported all areas of Government affecting Wales, and also supported local community initiatives via a Big Society Seminar which was held last November.

The Wales Office resources and supports the independent Commission on Devolution in Wales (the 'Silk Commission'). The Commission reported on the first part of its remit in November 2012, making 33 recommendations on improving the financial accountability of the National Assembly for Wales. The Wales Office is working with HM Treasury and other Government Departments in considering the recommendations in detail.

The Silk Commission has now moved on to Part II of its work – reviewing the boundaries of the devolution settlement and recommending any modifications likely to have a wide degree of support. The UK Government submitted detailed evidence to the Commission to help inform its Part II work, and the Wales Office coordinated the drafting of this evidence, working closely with Departments across the UK Government.

The Wales Office published a Green Paper on future electoral arrangements for the National Assembly for Wales in May 2012, beginning a 12 week consultation that ended in August. We published a summary of the responses received to the consultation in November 2012 and the Secretary of State for Wales set out how we intend to proceed with those measures we are taking forward in a statement to Parliament in March 2013.

The Wales Office was a key participant in the inter-governmental talks on funding reform that resulted in the joint announcement made by the UK Government and the Welsh Government in October 2012.

The Wales Office is the point of expertise within the UK Government on the Welsh devolution settlement, and we advise all Government Departments on devolved and non-devolved issues as they relate to Wales. The Department has continued to ensure that parliamentary legislation fully reflects the needs of Wales and is consistent with the devolution settlement. Most Bills in the Government's legislative programme had implications for Wales, and we made significant input into the development of legislation such as the Local Government Finance Act 2012. The Department has also worked closely with the Welsh Government on the development of their legislation for example of the Social Services (Wales) Bill and their proposals for the control of dangerous dogs. We have also continued to contribute to the development of subordinate legislation arising from the Public Bodies Act 2011 where there have been implications for Wales.

Ministerial visits remain an essential means by which people and businesses in Wales are able to engage directly with the Government. We have supported our Ministers as they have travelled the length and breadth of Wales, as well as facilitating numerous visits by other Government Ministers.

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

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

Over the last year, strengthening and supporting the Welsh economy has been the primary focus of the Ministerial team. Ministers have taken every opportunity to promote Wales as a place in which to do business, and met and visited businesses throughout Wales to listen to their views and experiences in order to discuss practical measures on how to stimulate economic growth in Wales.

Infrastructure

Improving infrastructure has been highlighted as one of the most important and effective ways to stimulate economic growth, and improve our opportunities for inward investment.

Last July we announced the further electrification of the Great Western Main Line railway from Cardiff to Swansea and the South Wales Valleys lines. It is the most significant infrastructure investment in Wales for decades, especially when it is taken with the additional investment of a Western rail extension to Heathrow which will connect South Wales to the UK's main airport hub for the first time. The Wales Office worked tirelessly throughout 2012 with all levels of Government, Network Rail and the business community to secure this investment, and will continue to press the case for further improvements to the transport network throughout Wales across all areas.

In October, Hitachi Ltd announced that they had acquired Horizon Nuclear Power and planned to progress plans to build a new nuclear reactor at Wylfa in Anglesey. The investment will support many thousands of jobs during the construction phase and provide significant local economic benefits. The Secretary of State has since met with Hitachi on a number of occasions both at home and abroad (Japan) to discuss the wealth of supply chain opportunities for Welsh and UK companies during the construction phase of the planned nuclear reactors.

Wales has also benefitted from the Government's commitment to deliver broadband improvements across the country. Following the announcement that Cardiff would become Wales's first super-connected city, the Autumn Statement 2012 announced that Newport was successful in applying for super-connected city status. The investment being made under Urban Broadband will enable both cities to compete with the world's top digital cities and attract new investment and jobs. The Rural Broadband project has also continued to be rolled out across Wales. Wales Office Ministers have undertaken visits to the Vale of Glamorgan, Newport and Monmouthshire to see how small to medium sized businesses in particular have benefitted from access to superfast broadband.

Engagement with business

Key to developing the economy in Wales is ensuring that the views of businesses in Wales are at the heart of UK Government decisions. The Secretary of State's Business Advisory Group was expanded at the start of this year to include a wider range of business representatives and business sectors in Wales. The group will focus on producing outputs that can be fed into UK Government policy, and at the first meeting of the refocused group they considered the Welsh priorities for Budget 2013, which was subsequently submitted to the Treasury for consideration.

Ministers have undertaken a number of important speaking engagements during the year, including at the Fast Growth 50 Awards, the Royal Institute of Chartered Surveyors Wales Energy Conference, Wales Bangladesh Chamber of Commerce Gala event and the CBI North Wales Committee.

Ministers have also used every opportunity to engage with businesses as part of their regional visit programme and see how successful businesses in Wales continue to innovate. Over the course of the year, the Secretary of State has visited Airbus, Toyota UK Manufacturing, General Dynamics and JCB Transmissions, and has engaged with business representatives of the ITV Wales's Business Club.

Helping people back into work

With a record number of people in employment across the UK the Wales Office has been actively working to ensure that Wales benefits from the improving economic conditions. In February, the Secretary of State hosted the first Jobs Summit for Wales in Newport. He was joined by the First Minister and Job Centre Plus to emphasise the importance of an all-Wales partnership approach to tackling youth unemployment in Wales. This event will be replicated in North Wales.

Promoting of Wales overseas

The Wales Office has also been actively engaged with the promotion of Wales overseas and has undertaken a number of overseas missions this year. In May, the then Secretary of State undertook a 5 day visit to the South East Asia visiting Thailand, Cambodia and Singapore where she witnessed the signing of a contract between the Thai Treasury and Royal Mint; opened a UKTI office in Cambodia; represented the UK at the international tourism conference in Bangkok; and applauded the continued collaboration with Airbus at the new Rolls-Royce engine assembly site in Singapore. She also visited the Airbus Headquarters in France to discuss the importance of the Welsh workforce to their global operations.

During the Olympics last summer, the Secretary of State hosted a prestigious event to promote Wales as a prime location for job creation and investment. The event was part of a series of business seminars held throughout the Olympic and Paralympics games to promote Great Britain to the world.

Most recently, the Secretary of State completed a trade and investment mission to Asia – visiting Japan, Vietnam and Hong Kong. His engagements supported the ‘GREAT’ Britain campaign, promoting the UK as ‘open for business’, building strategic investment partnerships, particularly in the emerging markets and encouraging Asian students to study in the UK. His Excellency The British Ambassador in Japan hosted the Secretary of State, the President and senior executives of Hitachi to discuss the supply chain opportunities and the building processes that will be followed for the new nuclear plant at Wylfa on Anglesey; and wider investment on UK Infrastructure. In Vietnam, the Secretary of State headed the UK’s delegation to SEAMEO (Southeast Asian Ministers of Education Organization) where he signed the formal treaty admitting the UK as an Associate Member. The trip concluded in Hong Kong, where he hosted a series of events with business investors and higher education institutions to promote investment opportunities in Wales, and across the UK.

Higher Education Sector

The role of the higher education sector in Wales in stimulating economic growth was one of the topics discussed at a round table event with the Vice Chancellors of the higher education institutions in Wales, chaired by the Secretary of State and supported by the Parliamentary Under-Secretary of State, Baroness Randerson. Following this round table the Minister visited Swansea University where she saw the partnership that is currently being fostered between the university, Tata Steel in Europe and BP, following a £38million grant from the UK Research Partnership Investment Fund (UK RPIF) to support the development of new facilities and projects in areas including life sciences, energy and advanced manufacturing. Further visits to all higher education institutions in Wales are being planned to identify the ways that the sector can maximise opportunities available both from UK research funding and fostering better links with businesses in Wales.

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

The Wales Office played a key role throughout the year in delivering the Government’s commitments in relation to Welsh devolution particularly by supporting the Silk Commission in its work. We also provided expert advice to other Government Departments on the relationship between devolved and non-devolved policy and legislation, and took action to promote and facilitate partnership working between the Government and devolved institutions in Wales.

The Commission on Devolution in Wales (the ‘Silk’ Commission)

Following its establishment in October 2011 the Silk Commission began work on the first part of its remit, examining the case for the devolution of fiscal powers. This work concluded in November 2012 with the publication of *Empowerment and Responsibility: Financial powers to Strengthen Wales*, a detailed report making 33 recommendations relating to the financial accountability of the Assembly and the Welsh Government.

Since then, the Wales Office has worked with the Treasury and other Government Departments to examine the recommendations and their implications for Wales and the rest of the UK. The Government will make its initial response to the Commission's recommendations when this work is completed.

The Wales Office has ensured that changes to the membership of the Commission have taken place smoothly. Two members of the Commission stepped down on completion of the first part of the Commission's remit, and were replaced for the start of the Commission's work on Part II. An additional independent member joined the Commission for Part II, ensuring that the interests of North Wales were reflected in the membership.

At the end of November 2012, the Commission called for evidence in relation to the second part of its remit, looking at the powers of the Assembly and recommending modifications to the present constitutional arrangements that would enable the Welsh devolution settlement to work more effectively. The deadline for submissions was 1 March 2013. The Wales Office worked closely with all UK Government Departments to produce comprehensive evidence that examined the devolution settlement in Wales in detail. The Commission is now considering the evidence it has received and will report on Part 2 by spring 2014.

Inter-Governmental Announcement on Funding

The Wales Office played an important role in the inter-governmental talks on funding, which culminated in a joint announcement by the UK Government and the Welsh Government on 24 October 2012. The announcement committed to reviewing convergence between levels of funding per head in England and Wales in advance of each spending review and set out that the UK Government agreed in principle to the Welsh Government having access to borrowing powers to fund infrastructure projects, subject to an independent stream of revenue being in place to support this borrowing. This has in turn informed the work we are undertaking with Treasury to examine the Silk Commission's recommendations.

Assembly Electoral Arrangements

The Wales Office published a Green Paper in May 2012 seeking views on a number of issues relating to elections to the National Assembly for Wales. Specifically, as a result of the Fixed Term Parliaments Act 2011, which specified the date of future UK General Elections, we sought views on whether the Assembly should move to five-year fixed terms from 2016 to avoid a clash of polling dates. We further sought views on whether the current ban on candidates for Assembly elections standing for both a constituency and on a regional list should be overturned and on whether there should be a prohibition on individuals sitting as both Assembly Members and Members of Parliament at the same time. Finally, we sought views on changes to Assembly constituencies to restore the link with revised Parliamentary constituencies if they were approved by Parliament. The consultation closed in August 2012 and the Wales Office published a summary of responses received in November 2012.

It did not prove necessary to take forward the proposed changes to Assembly constituencies, but the Secretary of State for Wales confirmed in March 2013 that the Government intends to proceed with the three other proposals set out in the Green Paper. The Wales Office will seek to legislate on these issues at the earliest opportunity.

Advising on the interface between devolved and non-devolved policy and legislation

The Department has continued to promote Welsh interests in the development of Government legislation, co-ordinating and facilitating engagement with Bill teams and providing advice on how proposed legislation could impact on Wales. As the Department responsible for oversight of the devolution settlement, the Wales Office advised on how the Welsh devolution settlement should be reflected in proposed legislation, and where the legislative consent of the Assembly should be sought in relation to provisions in parliamentary Bills. The Government introduced 24 Bills into Parliament as part of its second legislative programme, and of those 14 had received Royal Assent by 31 March 2012.

We were particularly involved on the Local Government Finance Bill, which was the main legislative vehicle for taking forward the Government's commitment to localise council tax. The Wales Office worked closely with the Department of Communities and Local Government, the Cabinet Office and the Welsh Government to ensure that a new system could be developed and introduced in Wales, including taking Orders through Parliament to provide the relevant levers to Welsh Ministers. Other important pieces of legislation which required significant involvement by the Wales Office included the Crime and Courts Bill, Justice and Security Bill, Children and Families Bill, Energy Bill and the draft Water Bill.

The Wales Office has continued to play an important role in monitoring Assembly Bills as they progress through the Assembly and ensuring that the Welsh Government and UK Government Departments liaise effectively as they move forward on their legislative programmes. Close liaison has been established on a number of Bills and pre-legislative proposals, in particular the Human Transplantation (Wales) Bill which aims to alter the existing system on organ donation and introduce an opt-out system in Wales, the Social Services (Wales) Bill, the Natural Resources Wales Body and the proposals for controlling dangerous dogs. We have facilitated meetings between the Welsh Government and Whitehall officials allowing for effective cooperative working to deliver policies. The Wales Office also informs UK Government Departments of legislation passed in the Assembly, so that they can consider whether there is any case for the Secretary of State to exercise his powers of intervention.

The Wales Office was also involved in the referral of the Local Government Byelaws (Wales) Bill to the Supreme Court by the Attorney General. The Court ruled that sections 6 and 9 of the Bill were within the legislative competence of the National Assembly for Wales, providing helpful clarification on where the devolution boundary lies.

The Department takes a keen interest in the policy initiatives of the Welsh Government and the progress of its legislative programme. Ministers in both Governments meet regularly to discuss matters of mutual interest.

Encouraging and facilitating partnership working between the Government and the devolved institutions

The Wales Office has continued to work with Departments across Government to raise awareness of the devolution settlement for Wales, explaining how it works in practice and what Departments need to do to ensure that devolution issues are fully considered in their everyday work.

This has included engaging closely with Bill teams across Whitehall at the earliest stages to explore proposals, and offering guidance on the devolution settlement to ensure that Welsh interests are fully represented as legislation is taken forward. Wales Office officials also participated in more formal training and awareness sessions, for example, in-house seminars at the Department for Business, Innovation and Skills and the Department for Transport, and training sessions given by the Government Legal Service.

The Wales Office is also actively involved in the Joint Ministerial Committee and British Irish Council, where issues of interest to both the Government and the devolved administrations are discussed. This included the Secretary of State for Wales chairing a meeting of the British Irish Council in Cardiff on 26 November 2012. The meeting discussed the priorities of the administrations attending and in particular focussed on infrastructure investment as a driver for growth and the importance of early years education.

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

During 2012-13, Wales Office Ministers have undertaken six Welsh Oral Questions and held two Welsh Grand Committee sessions – the first in June 2012 on the Queen's Speech and the Budget; and the second in January 2013 on the Commission on Devolution in Wales. Both Committees provided the opportunity for scrutiny of Government policy in respect of its impact on Wales.

Budget and Autumn Statement

The Secretary of State has been keen to ensure that the Autumn and Budget statements benefit Wales. Following the announcement in the 2012 budget of enhanced capital allowances within the Deeside enterprise zone, the Secretary of State supported proposals from the Welsh Government for sites within the Haven and Ebbw Vale enterprise zones to also benefit from enhanced capital allowances. This was subsequently announced by the Chancellor of the Exchequer in the Autumn Statement with the potential for the creation of 1,000 new jobs.

The Autumn Statement 2012 also delivered real boosts for businesses and individuals in Wales with measures such as the cancellation of the planned fuel duty rise in January, temporary increase in the Annual Investment Allowance, additional one per cent reduction in the main rate of corporation tax to 21% from 2014 and a rise in Personal Allowance to £9,440.

The Government's action at the Budget 2013 to protect the budgets of health and education has meant that the Welsh Government did not face the significant reductions in their budget that many UK Government Departments faced. In addition, the Welsh Government's capital budgets will increase by £161 million, providing the Welsh Government with extra funding to pursue much needed infrastructure development projects. Businesses in Wales will benefit from an allowance of £2,000 to offset the cost of their National Insurance Contributions and SMEs will also benefit from increased access to finance. The introduction of £750 million a year childcare relief will help to support families in Wales with twenty percent of their childcare costs. In addition the increase in the personal allowance for income tax to £10,000 will benefit 1.1 million tax payers in Wales.

Overall as a result of the measures announced since the Comprehensive Spending Review in 2010, the Welsh Government has received more than £850 million of additional capital spending power.

Welfare Reform

The Wales Office has played an active role in ensuring that the Government's plans for welfare reform are effectively implemented in Wales. The Department has highlighted Welsh specific issues during the development of specific welfare reform policies that will impact in Wales. It has also facilitated engagement between UK Government Departments, including the Department for Work and Pensions, and the Welsh Government. This has included consideration of how the passported benefits administered by the Welsh Government will be delivered in Wales when Universal Credit is introduced.

The Wales Office has closely monitored the delivery of services in Wales to ensure that the welfare reforms are implemented effectively. The Parliamentary Under-Secretary for Wales, Stephen Crabb MP has met with the Director of JobCentre Plus Wales to discuss delivery. The Minister is also due to meet Lord Freud to discuss the delivery of welfare reforms in Wales before the summer recess. Wales Office officials also meet regularly with lead officials in DWP and JobCentre Plus to receive updates on delivery and policy development.

Armed Forces

Wales has a special connection with the Armed Forces and Wales Office Ministers have championed our Armed Forces over the last year at various different events and occasions.

The Wales Office made representations to the Ministry of Defence on the Basing Review. The Review, announced in March, not only saw the defence footprint in Wales being largely maintained but also included a £100 million investment in Wales.

Last June, the Secretary of State marked Armed Forces Day in Cardiff and Wales Office Ministers have attended a number of homecoming parades to show their support. On the day the first annual report of the Armed Forces Covenant was published the Parliamentary Under-Secretary of State, Stephen Crabb MP visited Contact One Vale centre in Barry to see first hand how serving and veteran members of the Armed Forces Community are being supported across Wales.

Policing

This year we saw the most significant democratic reform of policing in our lifetime when police and crime commissioners were elected by the public in November 2012. Police and crime commissioners are a key component of a comprehensive plan to fight crime and their introduction was part of the Government's wider programme to devolve power and responsibility. The Wales Office worked closely with the Home Office to ensure that issues specific to Wales were fully considered throughout the implementation of the new policing policies.

The Secretary of State has continued to meet with the four Welsh chief constables regularly to discuss policy developments. Wales Office Ministers also met the four police and crime commissioners in January and have committed to meeting with both the police and crime commissioners and chief constables quarterly.

Welsh Language Issues

The Wales Office is the lead Department within the UK Government on Welsh language issues. The Secretary of State for Wales meets with the Welsh Language Commissioner on a regular basis to discuss current issues around Welsh language provision by UK Government Departments. The Wales Office continues to support other Departments in addressing issues when they arise. In December, the Secretary of State invited Guto Bebb MP to be an adviser on Welsh language issues to support the Wales Office in its work.

Objective 4: Promote social and cultural interests of Wales

The Wales Office and its Ministerial team played an important role in representing Wales, and promoting its social and cultural interests.

Big Society

Following the success of last year's seminar, Wales Office Ministers hosted a second Big Society Seminar in Cardiff last November, to discuss how to support and encourage a new generation of social entrepreneurs. Ideas raised at the seminar have been fed into the Wales Office Big Society Advisory Forum, which has met twice in the last year and continues to provide insights into how Wales can best contribute to the Big Society agenda.

The Ministerial team has also actively supported raising the awareness of Big Society in Wales through visits to third sector organisations and social

enterprises across Wales, including Vi-Ability in Conwy and 'Too Good to Waste' in Rhondda Cynon Taff. The success of Welsh Social enterprises was also recognised in the Prime Minister's Big Society Awards this year, with Llandudno Junction based social enterprise, Crest Co-Operative being commended for its work in sustainable recycling.

Cultural Matters

Wales is proud of its rich cultural history and the Wales Office continues to promote Wales as a cultural centre of excellence at every opportunity.

In July 2012, the Secretary of State visited the Royal Welsh Agricultural Show in Builth Wells and the then Parliamentary Under-Secretary of State attended the Llangollen International Musical Eisteddfod to highlight the rich history and artistic tradition in Wales. The Parliamentary Under-Secretary of State also visited the National Eisteddfod in the Vale of Glamorgan.

Earlier this year, the Wales Office Ministerial team undertook a variety of visits across Wales to promote the wealth of tourist attractions and sites of cultural interest Wales offers, as part of Wales Tourism week. The Secretary of State, as one of his visits during tourism week, toured Bodnant Gardens in the Conwy Valley, whilst the Parliamentary Under-Secretaries of State Stephen Crabb MP and Baroness Randerson visited the UK's smallest city St Davids in Pembrokeshire and St Fagans National History Museum, near Cardiff respectively.

Objective 5: Conduct our business with courtesy, efficiency, effectiveness and propriety

Funding and Finance

Of the £12,868 billion Welsh settlement, the Wales Office allocation for 2012-13 was around £7 million, which was spent largely on Wales Office staff and accommodation, and other Wales Office responsibilities such as the reimbursements of Lord Lieutenants of Wales. The remainder of the settlement (£12,867 billion) is the grant to the Welsh Government and Welsh Consolidated Fund.

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

Efficiency

The current Spending Review (SR) period (up to 2014-15) will see the Wales Office budget shrink by one third in real terms.

To help meet this reduction in 2012-13 the Wales Office established a Change and Efficiencies Committee which was tasked with making recommendations on the efficiencies to be realised in each of the coming financial years covered by the SR. As part of this work the Office reviewed its staffing structure to ensure that it has the right skills in the right places to deliver its Business Plan with a diminishing budget.

The Office also continues to look to share services and expertise with the other Territorial Offices to both drive down costs and improve resilience. A working group comprising officials from all three Offices meets regularly to explore, identify, and assess the functions that can be shared, as well as reviewing the lessons learned from existing shared services, such as Parliamentary services, in order to better inform the planning of future shared services. In 2013-14 the three offices are to pilot sharing the handling of ministerial correspondence and freedom of information requests.

As a small Department we continued our 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, cleaning, facilities management, financial services and IT services as much as possible. Such arrangements and contracts realise significant benefits in terms of economies of scale and expertise. We have service level agreements in place with the MoJ for these services.

Transparency

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

- Spending over £500, including Government Procurement Cards;
- Monthly Workforce figures including Salary Costs;
- Senior Civil Service structure and salaries;
- Gifts given and received by Ministers (and by the Special Adviser) over £140;
- Ministerial overseas travel;
- Hospitality received by Ministers, the Special Adviser and the Director; and
- Meetings with external organisations, including the media.

During 2012-13 we dealt with over 130 Freedom of Information (FOI) requests as set out below.

Description	Number
FOI requests received, of which:	134
Responses replied to within 20 working days or within permitted extension	108 (81%)
Internal Review of our response requested	8
Response referred by requestor to the Information Commissioner	0

Our Parliamentary performance over 2012-13 is summarised below:

Target	%
% of named day questions on time	93%
% of ordinary written questions on time	98%

Our performance in handling correspondence during 2012-13 was:

Target	%
Correspondence dealt with within 15 days	93%

Payments to Suppliers

During the financial year 2012-13 the Department's policy has been to pay suppliers in accordance with the Prime Ministerial commitment of May 2010 that Government Departments should pay suppliers within 5 days of receipt of a valid invoice at the correct billing address.

For the financial year 2012-13, 94% of invoices were paid within these terms against the cross-government target of 80%. In 2011-12, 92% of invoices were paid within 5 days of receipt.

Accommodation and Capital works

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

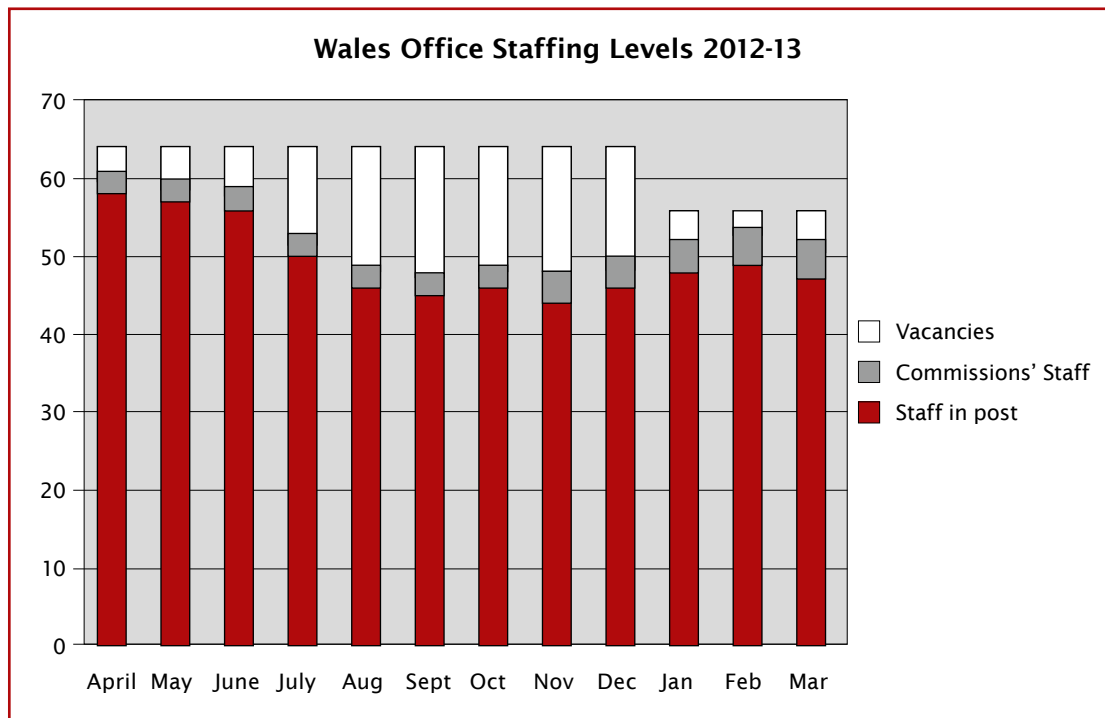
In addition, the Department also rents office space (accommodating around a quarter of its staff) in Wales, located in Cardiff Bay near the National Assembly for Wales and key stakeholders. Both offices meet the requirements of the Equalities Act.

We relocated our Cardiff base in the summer 2012 to make way for call centre company, First Source Solutions, to take sole possession of Discovery House. In line with the Government’s programme of driving down costs, we will pay 11% less rent per year in our new premises.

Staffing Issues

We seek to ensure that we deploy our small staff numbers, equipped with the right skills, to best effect to deliver our business objectives. We are not an employer in our own right and therefore continue to receive employment services from the Ministry of Justice who also recruit on our behalf. Our internal staffing policy focuses on several key strands: staff engagement; improved performance management; continuous learning and development supported by Civil Service Learning; skills and capability; and organisational change and efficiency.

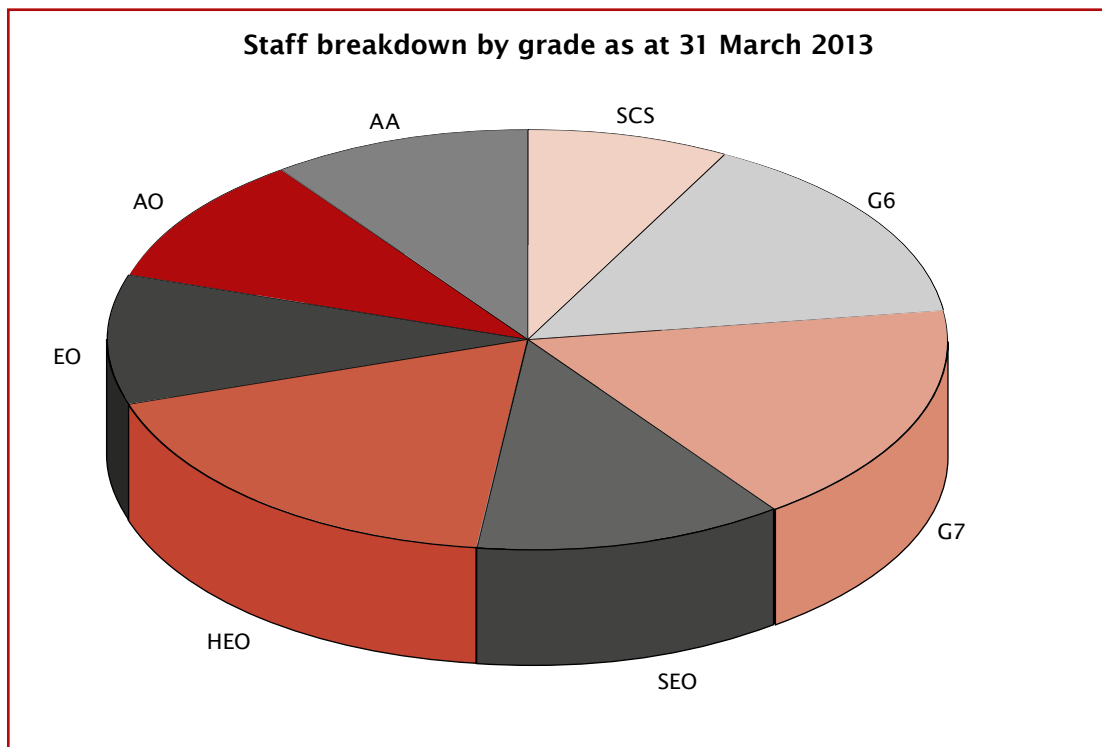
The Wales Office had a staff complement of 64 staff at the start of 2012-13 (which included 3 staff on funded loan to an independent Commission). This reduced to 56 by 31 January 2013 in line with Comprehensive Spending targets. The chart below shows the pattern of staffing levels throughout the year.



The total number of staff in post as at 31 March 2013 was 52 (51.4 fte), which included three (temporary) agency personnel, two apprentices on fixed term contracts, 10 staff on loan from the Welsh Government and three on loan from

other Government Departments. 28% of staff were based in our Cardiff office and 72% in Gwydyr House, London. Four Wales Office staff members are on secondment to the Commission on Devolution in Wales and one staff member is on secondment to the Macur Review.

A breakdown of staff by civil service grades as at 31 March 2013 is shown in the chart below:



Recruitment

The Wales Office undertook 15 internal recruitment exercises (that is, internal to the Civil Service) during 2012-13. No external recruitment exercises were conducted.

Resignations and Retirements

Over the past year, the main reasons why staff left the Wales Office were: lateral transfer or promotion or loan as a development opportunity to another government Department; two staff who left on voluntary early departure terms; and one on termination of fixed term appointment. Another eleven individuals on loan to the Wales Office returned to their parent (Departments).

Senior Civil Service

At the 31 March 2013 there were 4 substantive senior civil servant posts within the Wales Office.

Equal Opportunities

Staff in Senior Civil Service positions	March 2013	March 2012
Proportion of women	25%	25%
Proportion of women at Pay band 2 & above	100%	100%
Proportion of Black and Minority Ethnic (BME)	0%	0%
Proportion of Disabled staff	0%	0%

Staff Below Senior Civil Service Level	March 2013	March 2012
Women	56%	56%
BME	8%	7%
Disabled	2%	3%

Performance Management

The Wales Office is committed to formal performance management. Although a structured timetable exists to ensure that 100% of appraisals are delivered to deadline and benchmarked, and that at least two reviews are undertaken with staff annually, a Review Team was established this year to identify how the process could be improved. The recommendations from the team will be implemented in the 2013-14 reporting period.

Staff Engagement Survey

The Wales Office participates in the annual civil service-wide survey. In 2012, our overall staff engagement index was 50%.

Our top positive scores related to staff:

- Having the skills needed to do their jobs effectively;
- Having a clear understanding of the Office's purpose, its objectives and how their work contributes to them; and
- Knowing that the people in their teams can be relied upon when things get difficult with their jobs.

Areas where we scored higher than the Top Performing Units or upper quartile of the UK Civil Service (by between 10-15%) related generally to the Leadership and Managing Change components of the questionnaire including staff agreeing that:

- Senior managers in the Office are sufficiently visible;
- When changes are made in the office they are usually for the better; and
- They have the opportunity to contribute views before decisions are made that affect them.

The three key areas where we are taking action in 2013, relate to the themes of Line Management, Inclusion and Fair Treatment and Engagement itself. Our lowest positive scores and areas where scores have reduced since 2011 reflect these themes as follows:

- Around half the staff agreed that they received regular feedback on performance; that their performance was evaluated fairly and that the feedback led to improvement in their performance;
- Over half the Office felt that individual difference was respected; and
- Around a third of staff felt a strong personal attachment to the Office and that the Office was a great place to work.

Learning and Development

The Wales Office's three year Learning and Development strategy and resulting action plan has been reviewed annually and continues to have a strong emphasis on the read-across between the Departmental Business Plan and the skills needed to deliver it successfully. With the launch of Civil Service Learning in 2012, effective links have been forged with the organisation and 100% of staff registered with what is now seen as the one stop shop for learning. Locally delivered workshops have also been facilitated and work is being undertaken currently to identify the specific skill-sets needed by Wales Office staff alongside assessment against the new Civil Service Competence Framework.

Volunteering

Over 20 members of staff, at all levels in the organisation, volunteered to spend a day working for the Prince's Trust in Wales over the summer of 2012. Three members of staff were also successful in being accepted as Gamesmakers at the Olympic Games in London.

Employment of disabled persons

The Wales Office follows the Ministry of Justice (MoJ) Disability Policy and is committed to ensuring equality of opportunity for all disabled staff. We promote a culture that enables disabled staff to participate fully in working life, and guidance on supporting disabled staff is provided through the Departmental Ability Manual. The Wales Office participates in the Guaranteed Interview Scheme (GIS) for candidates with a disability. Disabled staff have access to targeted career development support and advice. MoJ has had a rolling "positive images of disability" campaign to showcase roles and responsibilities disabled staff hold and to promote understanding of disability.

Sickness absence data

The average number of working days lost (AWDL) in the calendar year due to staff sickness across the whole of the Wales Office in 2012-13 was 6.1 days (2011-12 7.1 days).

Reducing sickness absence aligns with our Smarter Government commitments and remains a workforce strategy priority within the Department. Adherence to the Attendance Management Policy has been a key factor in effectively reducing the AWDL this year.

Security and information security

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

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

Welsh Language

The Wales Office has in place its own Welsh Language Scheme. We also continued to encourage our staff to learn Welsh and we recognise the importance of language training in enabling staff to work confidently in Welsh. We continued to meet the costs of training as well as offering paid facility time and study leave to members of staff undertaking such training. Intermediate level training has been delivered in Cardiff and foundation level training in London. Around 16 existing staff have participated since its introduction in 2010.

A skills audit of Wales Office staff is conducted annually and the results of this provide the foundation for our workforce planning and training programme. At present we have 10% staff who identify themselves as being fully bilingual.

Sustainable Development

This is the first independent sustainability report the Wales Office has prepared. Previously the Wales Office was included in the Ministry of Justice's annual report. The data in this report is in accordance with 2012-13 guidelines laid down by HM Treasury in 'Public Sector Annual Reports: Sustainability Reporting' published at: www.hm-treasury.gov.uk/frem_sustainability.htm.

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

The Wales Office solely occupies one building in London, Gwydyr House; shared occupations are not accounted for due to the limitations of extrapolating reliable sustainability data from service charges supplied by landlords.

Governance, responsibilities and internal assurance

The Wales Office Management Committee monitored environmental performance at each of its meetings in 2012-13.

Greening Government Commitments

The Greening Government Commitments – launched on 1 April 2011 – require Departments to take action to significantly reduce environmental impact by 2014–2015 (compared to a 2009–2010 baseline). These commitments can be found at: <http://sd.defra.gov.uk/gov/green-government/commitments/>.

Climate Change Adaptation and Mitigation

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

Carbon Reduction Commitment

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

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

C02 Emissions Tonnes						
	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
Air travel	1.7	5.36	3.03	0.37	2.49	21.46
Rail travel	22.4	17.2	19.3	15.9	15	13.73
Car mileage	6.82	7.83	6.3	1.78	2.05	2.08
Gas heating	10.92	13.72	19.65	14.64	13.86	17.59
Electricity	39.37	35.68	33.81	33.19	35.04	33.90
Waste	1.81	1.29	1.23	1.27	0.86	0.85
Total C02 (tonnes)	83.02	81.08	83.32	67.15	69.30	89.61
Water Consumption Cubic meters	367	346	370	320	474	361

* This figure has increased greatly as the Secretaries of State have conducted visits to the Far East on UK Government business.

Where the Wales Office draws on services supplied by the Ministry of Justice or under contract to them, our contribution to Government commitments on environmental impact and sustainability are met within those wider frameworks. The Wales Office has a continuing programme of work to reduce its environmental impact, including:

- Increasing the range of items that can be collected for recycling in both of our buildings;
- Encouraging the use of video conferencing rather than travelling to meetings; and
- Replacing life-expired printers with double-sided models to reduce paper use.

The Management Committee monitored environmental performance at each of its meetings in 2012-13.

Audit

The financial statements are audited by the Comptroller and Auditor General (C&AG), who is appointed under statute and reports to Parliament on the audit examination. Auditors' remuneration is disclosed at Note 7 to the accounts. During the reporting year no payment was made to the auditors for non-audit work (2012-13: £nil).

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

4 Looking ahead to 2013-14

Driving economic growth in Wales will continue to be the primary focus of the Department over the coming year as Wales moves towards a more sustainable future. Improving Wales' infrastructure, helping more people back into work and encouraging more inward investment into Wales will be our key priorities.

The work of the Commission on Devolution in Wales (the 'Silk' Commission) will continue to be a focus of the Wales Office during 2013-14, in terms of supporting the Commission, responding to the recommendations made in its first report and in considering any recommendations which emerge from the second part of its work. We will also be closely involved in a range of other constitutional issues, such as developing legislation to implement changes to Assembly electoral arrangements.

We will also continue to work hard to raise awareness, knowledge and understanding of the Welsh devolution settlement within Whitehall and more widely. The Wales Office regards it as essential that the Government and Welsh Government work together in the best interests of Wales, and we will concentrate efforts on facilitating that partnership despite the political differences between the administrations. We will continue to be a source of expert advice and guidance for other Departments as policies are formulated and legislation prepared. Similarly we will engage with the Welsh Government as necessary to ensure that the legislation it brings forward is consistent with the devolution settlement and within the competency of the National Assembly.

The Wales Office will of course need to continue to play its part in maximising our efficiency and effectiveness in order to contribute to the Government's economic reform agenda. The next financial year, 2013-14, will be even more challenging in terms of managing within our reduced budget but we have laid some solid foundations this year.

5 Management Commentary

In 2012-13 the Wales Office spent £12.792 billion within Parliamentary Supply Estimates (Spring Supplementary Estimate), primarily as a grant to the Welsh Consolidated Fund.

Financial Performance

Parliament votes funds to Departments on two occasions during the year by means of a *Main Estimate* at the start of the year and a *Single Supplementary Estimate* in February.

Movements in Estimate provision during 2012-13:

At the start of the year the Wales Office was voted £12.851 billion in its Main Estimate. By the final Single Supplementary Estimate, this had increased to £12.867 billion largely due to a £16,338,000 increase in funding for the Welsh Consolidated Fund (WCF)

Explanation for variances between Estimate and Net Resource Outturn

Overall there was an under-spend of 0.58% / £75.019m on the estimate provision of £12.867 billion. Note 2 to the Accounts provides a breakdown of this position for each subhead in the Estimate. The reasons for major variances in excess of both £60k and 5% are set out.

Wales Office

Spending in Department Expenditure Limits	Outturn £000	Estimate £000	(Overspend)/ Under-spend £000	Percentage of estimate %
A Wales Office	4,861	5,480	619	11%

The under-spend in the Wales Office is mainly attributable to the non utilisation of ringfenced funding; £140K was allocated to a boundary review of Welsh constituencies which did not take place, and unused ring fenced depreciation and other non cash budget of £112k.

Commission on Devolution

Spending in Department Expenditure Limits	Outturn £000	Estimate £000	(Overspend)/ Under-spend £000	Percentage of estimate %
Commission on Devolution	562	686	124	18

The under-spend in the Commission on Devolution is mainly attributable to unused contingency funds and efficiencies in use of resources

Grant payable to the Welsh Consolidated Fund

Spending in Department Expenditure Limits	Outturn £000	Estimate £000	(Overspend)/ Under-spend £000	Percentage of estimate %
Welsh Consolidated Fund	12,786,547	12,860,823	74,276	0.6

Reconciliation of resource expenditure between Estimate, Accounts and Budgets

	Estimate £000	2012-13 Total £000
Net Resource Outturn (Estimates)	12,866,969	12,791,950
Less Income payable to the Consolidated Fund		
Net Operating Cost (Accounts)	12,866,969	12,791,950
Voted expenditure outside the budget	(12,860,823)	(12,786,547)
Resource Budget Outturn (Budget)		
of which		
Departmental Expenditure Limit (DEL)	6,166	5,423
Annually Managed Expenditure (AME)*	-20	-20

* Agrees to note 2.

6 Public Expenditure Core Financial Tables

TABLE 1

The Welsh Block 2008-09 to 2014-15

	2008-09 outturn £'000	2009-10 outturn £'000	2010-11 outturn £'000	2011-12 outturn £'000	2012-13 outturn £'000	2013-14 plans £'000	2014-15 plans £'000
Wales Office ⁽¹⁾⁽²⁾							
Wales Office Resource ⁽³⁾	4,983	5,567	5,026	5,145	5,346	5,921	4,799
Wales Office Administration Costs	23	42	43	33	57	60	60
Wales Office – other ⁽³⁾							
Wales Office Resource ⁽³⁾	5,006	5,609	5,069	5,178	5,403	5,981	4,859
Wales Office Capital	96	0	130	185	316	724	25
Wales Office Resource + Capital DEL ⁽³⁾	5,102	5,609	5,199	5,363	5,719	6,705	4,884
<i>less depreciation & impairments</i>	-236	-61	-227	-70	-82	-70	-70
Wales Office DEL ⁽⁴⁾⁽⁵⁾	4,866	5,548	4,972	5,293	5,637	6,635	4,814

(1) Totals may not sum due to roundings.

(2) Includes Budgetary Changes as a result of Clear Line of Sight.

(3) Including depreciation & impairments.

(4) Resource + capital – depreciation & impairments.

(5) 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.

TABLE 1B

Welsh Government DEL and Total Welsh Block

	2008-09 outturn £'000	2009-10 outturn £'000	2010-11 outturn £'000	2011-12 outturn £'000	2012-13 estimated outturn £'000	2013-14 plans £'000	2014-15 plans £'000
Welsh Government ⁽¹⁾⁽²⁾⁽⁷⁾⁽⁸⁾							
Welsh Government Resource ⁽³⁾	13,011,110	13,752,801	14,021,910	13,902,986	13,932,116	14,187,694	14,196,311
Welsh Government Capital	1,626,521	1,931,711	1,751,150	1,385,694	1,362,776	1,304,104	1,431,397
Welsh Government DEL ⁽³⁾⁽⁷⁾	14,637,631	15,684,512	15,773,060	15,288,680	15,294,892	15,491,798	15,627,708
<i>less depreciation & impairments</i>	-400,995	-464,079	-407,253	-427,664	-427,773	-482,341	-506,394
Welsh Government DEL ⁽⁴⁾⁽⁷⁾	14,236,636	15,220,433	15,365,807	14,861,016	14,867,119	15,009,457	15,121,314
Wales Office DEL ⁽⁴⁾	4,866	5,548	4,972	5,293	5,657	6,635	4,814
Total Welsh Block ⁽⁴⁾⁽⁵⁾⁽⁶⁾	14,241,502	15,225,981	15,370,779	14,866,309	14,872,776	15,016,092	15,126,128

(1) Totals may not sum due to roundings.

(2) Includes Budgetary Changes as a result of Clear Line of Sight.

(3) Including depreciation & impairments.

(4) Resource + capital – depreciation & impairments.

(5) 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.

(6) Wales Office DEL + Welsh Government DEL net of depreciation and impairments.

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

(8) Welsh Government outturn for 2012-13 is provided on a provisional basis pending completion of the audit of their accounts.

TABLE 2**Changes to Welsh Government Departmental Expenditure Limit for 2011-12 to 2014-15 since publication of 2011-12 Report & Accounts**

	2011-12 £m Outturn	2012-13 £m Provisional Outturn	2013-14 £m Plans	2014-15 £m Plans
Capital DEL plus Resource DEL: June 2012	15,045.4	15,076.8	15,135.0	15,245.0
Interdepartmental transfers				
from DWP: Council Tax Benefit	243.0	239.1	222.0	222.0
from DWP: Social Fund	0.0	0.0	12.4	12.2
to Dept Health: National Institute for Biological Science & Control	0.0	0.0	-0.6	-0.6
from DCMS: Broadband UK	0.0	3.7	0.0	0.0
to DECC: Environment Agency	0.0	-1.7	0.0	0.0
from DECC: Natural Resources Wales	1.6	1.7		
Spending Policy				
Budget Exchange	0.0	93.1	0.0	0.0
Coastal Communities Fund	0.0	1.2	0.0	0.0
Natural Resources Wales: VAT	0.0	0.0	-1.2	-1.2
Student Loan Impairment	0.0	25.0	0.0	0.0
Barnett Consequentials				
Autumn Statement 2012	0.0	2.7	85.9	82.1
Budget 2013	0.0	0.0	38.4	68.2
Departmental outturn (underspend compared to final plans)				
Final Outturn for 2011-12	-1.4	0.0	0.0	0.0
Provisional Outturn for 2012-13	0.0	-146.6	0.0	0.0
Subtotal	243.2	218.1	356.8	382.7
Capital DEL plus Resource DEL: June 2013	15,288.680	15,294.9	15,491.8	15,627.7

(1) Totals may not sum due to roundings.

TABLE 3**Cash grant paid to the Welsh Consolidated Fund 2011-12: Provision and Final Outturn**

	Original Provision £'000	Final Provision £'000	Final Outturn £'000
Expenditure Classified as DEL ⁽¹⁾⁽²⁾	15,066,870	15,150,753	15,043,987
Expenditure Classified as AME	318,789	430,228	314,798
Total Managed Expenditure	15,385,659	15,580,981	15,358,785
<i>Less:</i>			
<i>Non Voted expenditure:</i>			
LA Credit Approvals	120,211	120,211	120,208
Other Non-Voted	6,078	6,078	6,078
Resource Non Cash	431,149	455,099	426,014
AME Non-cash	164,726	286,803	146,807
TOTAL NON VOTED TME	722,164	868,191	699,107
TOTAL VOTED TME	14,663,495	14,712,790	14,659,678
Voted receipts			
Contributions from the National Insurance Fund	-886,953	-878,324	-878,323
NDR Receipts	-867,000	-970,000	-970,000
Total	-1,753,953	-1,848,324	-1,848,323
Change in balance of Welsh Consolidation Fund & movements in working capital	1,325	1,325	-19,572
Cash grant paid to Welsh Consolidated Fund	12,910,867	12,865,791	12,791,783

Totals may not sum due to roundings.

(1) Resource and capital DEL including depreciation.

(2) Figures not adjusted for subsequent budgetting changes.

TABLE 4**Cash grant paid to the Welsh Consolidated Fund 2012-13: Provision and Estimated Outturn**

	Original Provision £'000	Final Provision £'000	Estimated Outturn £'000
Expenditure Classified as DEL ⁽¹⁾	15,076,759	15,200,719	15,054,133
Expenditure Classified as AME	405,773	497,722	430,166
Total Managed Expenditure	15,482,532	15,698,441	15,484,299
Less:			
<i>Non Voted expenditure:</i>			
LA Credit Approvals	107,299	107,299	107,299
Other Non-Voted	6,078	6,078	6,078
Resource Ringfenced Non Cash	472,999	496,349	426,123
AME Non-cash	221,714	327,520	231,263
TOTAL NON VOTED TME	808,090	937,246	770,763
TOTAL VOTED TME	14,674,442	14,761,195	14,713,536
Voted receipts			
	-886,492	-941,907	-941,907
NDR Receipts	-944,000	-1,003,000	-1,003,000
Total	-1,830,492	-1,944,907	-1,944,907
Change in balance of Welsh Consolidation Fund & movements in working capital	535	44,535	17,918
Cash grant paid to Welsh Consolidated Fund	12,844,485	12,860,823	12,786,547

Totals may not sum due to roundings.

(1) Resource and capital DEL including depreciation.

TABLE 5**Cash grant paid to the Welsh Consolidated Fund 2013-14:**

Expenditure Classified as DEL	15,491,805
Expenditure Classified as AME	317,132
Total Managed Expenditure	15,808,937
Less:	
<i>Non Voted expenditure:</i>	
LA Credit Approvals	88,800
Other Non-Voted	6,078
Resource Ringfenced Non Cash	482,341
AME Non-cash	102,146
TOTAL NON VOTED TME	679,365
TOTAL VOTED TME	15,129,572
Voted receipts	-996,549
NDR Receipts	-944,000
Total	-1,940,549
Timing Adjustments	325
Use of Provisions	100
Cash grant paid to Welsh Consolidated Fund	13,189,448

7 Remuneration Report

Auditable Sections

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

Remuneration Policy

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

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

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

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

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

Further information about the work of the Review Body can be found at www.ome.uk.com

Board members and senior civil servants remuneration

The salaries of Wales Office Senior Managers were determined by the Ministry of Justice remuneration committee in accordance with the rules set out in Chapter 7.1, Annex A of the Civil Service Management Code.

Performance based pay awards are based on an assessment of performance against objectives agreed between the individual and line manager at the start of the reporting year. Performance will also have an effect on any bonus element awarded.

Service Contracts

Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

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 Commissioners can be found at www.civilservicecommission.independent.gov.uk.

Ministers' salary and pension entitlements

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

In respect of Ministers in the House of Commons, Departments bear only the cost of the additional Ministerial remuneration, the salary for services as an MP (£65,738 as of 1 April 2010), and various allowances to which they are entitled are borne centrally.

Remuneration (salary and payments in kind)

Remuneration	2012-13		2011-12	
	Salary (including allowances) £	Benefits in kind (rounded to the nearest £100) £	Salary (including allowances) £	Benefits in kind (rounded to the nearest £100) £
The Rt Hon Cheryl Gillan MP, Secretary of State for Wales (to 3 September 2012)*	46,458 (68,827 full year equivalent)	nil	68,827	nil
The Rt Hon David Jones MP, Secretary of State (from 4 September 2012)**	49,647 (68,827 full year equivalent)	nil	23,697	nil
Stephen Crabb MP, Parliamentary Under-Secretary of State (from 5 September 2012) ***	nil***	nil	nil	nil
Baroness Randerson, Parliamentary Under-Secretary of State (from 5 September 2012) ***	nil***	nil	nil	nil

Notes to the table:

- * Includes a payment for loss of office of £17,207 to Cheryl Gillan on departure of post as Secretary of State.
- ** David Jones MP was Parliamentary Under-Secretary of State for Wales up to September 2012, and Secretary of State for Wales thereafter. His salary for 2012-13 reflects his appointment to Secretary of State for Wales from September.
- *** Following a cabinet reshuffle in September 2012 Stephen Crabb MP and Baroness Randerson were both appointed Parliamentary Under-Secretary of State for Wales. Their roles in the Wales Office are part time as they both have additional duties; their remuneration costs are borne by the Consolidated Fund and the House of Lords respectively.

Ministers	Pension Benefits				
	Accrued Pension at age 65 as at 31 March 2013	Real increase in pension at age 65	CETV at 31 March 2013	CETV at 31 March 2012	Real increase/decrease in CETV £000
		£000	£000	£000	£000
The Rt Hon Cheryl Gillan MP, Secretary of State for Wales (to 4 September 2012)	4728	0-2.5	80	63	7
David Jones MP, Secretary of State (from 4 September 2012)	2585	0-2.5	45	23	14
Stephen Crabb MP, Parliamentary Under-Secretary of State for Wales (from 5 September 2012)*	n/a	n/a	n/a	n/a	
Baroness Randerson, Parliamentary Under-Secretary of State (from 5 September 2012)*	n/a	n/a	n/a	n/a	

Notes to the table:

2012-13 accrued pension is stated as the actual amount not grouped in bands as in previous years. 2011-12 figures have not been restated. The CETV at 31 March 2013 (published) was calculated using actuarial assumptions applicable at the year end. The CETV at 31 March 2013 (recalculated) reflects the actual position based on the crystallisation of those yield assumptions.

- * Following a cabinet reshuffle in September 2012 Stephen Crabb MP and Baroness Randerson were both appointed Parliamentary Under-Secretary of State for Wales. Their roles in the Wales Office are part time as they both have additional duties; their remuneration costs are borne by the Consolidated Fund and the House of Lords respectively.

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

Ministerial Pensions

Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is made under statute (the regulations are set out in Statutory Instrument SI 1993 No 3253, as amended).

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). The arrangements for Ministers provide benefits on an 'average salary' basis taking all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for 1/50th accrual rate and a lower rate of employee contribution.

Benefits for Ministers are payable at the same time as MP's benefits become payable under the PCPF or, for those that are not MP's, on retirement from Ministerial office from age 65. Pensions are increased annually in line with changes in the Consumer Prices Index. Members pay contributions of 6% of their Ministerial salary if they have opted for the 1/50th accrual rate or 10% if they have opted for 1/40th accrual rate. There is also an employer contribution paid by the Exchequer representing the balance of cost as advised by the Government Actuary. This is currently 26.8% of the Ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

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 members' accrued benefits and any contingent spouses' 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 they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister. CETVs are calculated in accordance with the Occupational Pension Schemes (Transfer values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

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

Senior Managers' salary and pension entitlements

Salary figures include all allowances payable by the Wales Office, whereas full year equivalents are calculated net of allowances, bonuses and ex gratia payments. Bonuses are based on performance levels attained and are made as part of the appraisal process. The bonuses reported in 2012-13 relate to performance in 2011-12 and the comparative bonuses reported for 2011-12 relate to performance in 2010-11.

The Senior Managers were supported by the following Senior Officers, who were also members of either the Management Committee or attendees at the Audit and Risk Assurance Committee: Tricia Quiller-Croasdell, Dawn Brace, Mark Williams and Gill Lambert.

The salary, taxable benefits in kind and pension entitlements for Senior Managers is shown in the following tables:-

Remuneration Senior Managers	2012-13			2011-12		
	Salary excluding bonuses (including allowances) £000	Bonus Payments £000	Benefits in kind (rounded to the nearest £100) £	Salary excluding bonuses (including allowances) £000	Bonus Payments £000	Benefits in kind (rounded to the nearest £100) £
Fiona Adams-Jones Head of the Wales Office† (to 31 December 2012)	70-75		10,200	90-95		13,300
Glynne Jones Acting Director ††, (from 2 January 2013)	75-80	5-10		70-75	5-10	
Tim Hemmings Deputy Director, Policy (to 30 June 2012)	15-20			60-65		6,300
Stephen Hillcoat Deputy Director, Private Office and Communications	70-75			65-70		
Geth Williams Acting Deputy Director Constitution and Corporate Services (from 1 July 2012)	50-55			n/a	n/a	n/a
Sian Osborne Acting Deputy Director Policy ††† (from 2 January 2013)	15-20		2,000	n/a	n/a	n/a

† Fiona Adams-Jones was on loan from the Welsh Government. The Wales Office met the cost of her London accommodation and utilities.

†† Glynne Jones – prior to being appointed Acting Director Glynne was Deputy Director of Constitution and Deputy Head of Office to July 2012 and Deputy Director of Policy to 31 December 2012 .

††† Sian Osborne is on loan from the Welsh Government; the Wales Office met the cost of her London accommodation and utilities.

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

Non- Executive Directors

Remuneration	2012-13			2011-12		
	Salary exc bonuses (including allowances)	2011-12 bonuses paid in 2012-13	Benefits in kind (rounded to the nearest £100)	Salary exc bonuses (including allowances)	2010-11 bonuses paid in 2011-12	Benefits in kind (rounded to the nearest £100)
	£000	£000	£	£000	£000	£
David Crawley Audit Committee Chair and Deputy Chair Management Board and Non-Executive Director, Wales Office	10-15	n/a	nil	5-10	n/a	nil
Ian Summers, Non Executive Director, Wales Office	5-10	n/a	nil	5-10	n/a	nil

Pay Multiples

Reporting bodies are required to disclose the relationship between the salary of the most highly-paid individual in their organisation and the median earnings of the organisation's workforce.

The salary of the most-highly paid individual in the Wales Office in the financial year 2012-13 was £102,700 (salary is calculated as the midpoint of the band £90,000 – 95,000, plus benefits in kind). This was 3.7 times the median salary of the workforce, which was 24,894.

The salary of the most-highly paid individual in Wales Office in the financial year 2011-12 was £105,800. This was 3.6 times the median salary of the workforce, which was £29,500.

Remuneration	2012-13		2011-12	
	Number	£'000	Number	£'000
Median Staff				
Total Remuneration Permanent Staff (excluding highest paid Director)		1,839		2,876
Total Permanent Staff (excluding highest paid Director)	*47		*56	
Median Pay of Permanent Staff		24.9		29.5
Highest Paid Director Median of Pay band (including Benefits in Kind)		102.7		105.8
As a multiple of Permanent Staff Median Pay		3.7		3.6

* Note to table: Number of staff on payroll, excluding highest paid Director, as at 31 March.

Compensation for loss of office

No senior managers received compensatory payments in 2012-13 (£Nil in 2011-12)

Service Contracts

Senior Managers	Contract Start date	Unexpired term (years)	Notice period (months)
Fiona Adams-Jones Head of the Wales Office†(to 31 December 2012)	25 February 1974	6	3
Glynne Jones Acting Director††, (from 2 January 2013)	16 January 1989	20	3
Tim Hemmings Deputy Director, Policy (to 30 June 2012)	5 September 1994	26	3
Stephen Hillcoat Deputy Director and Principal Private Secretary	26 November 1986	21	3
Geth Williams Deputy Director, Constitution and Corporate Services (from 1 July 2012)	2 November 1992	17	3
Sian Osborne Deputy Director, Policy (from 2 January 2013)	7 February 2000	33	3

Notes to the table:

- † Fiona Adams-Jones was on loan from the Welsh Government until 31 December 2012. The Wales Office met the cost of her London accommodation and utilities.
- †† Glynne Jones – prior to being appointed Acting Director Glynne was Deputy Director of Constitution and Deputy Head of Office to July 2012 and Deputy Director of Policy to 31 December 2012 . Contracts for Senior Civil Servants were not issued until 1996; where people joined before contracts, the table shows their joining date. Unexpired term is either the remaining contract period on fixed term contracts or when an individual reaches pensionable age.

Pension Benefits

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2013 £000	Real increase in pension and related lump sum at pension age at 31 March 2012 £000	CETV at 31 March 2013 £000	CETV at 31 March 2012 £000	Real increase/decrease in CETV £000
Fiona Adams-Jones Head of the Wales Office† (to 31 December 2012)	40-45 plus lump sum 130-135	0-2.5 plus lump sum 0-2.5	935	892	(11)
Glynne Jones Acting Director †† , (from 2 January 2013)	20-25 plus lump sum 65-70	0-2.5 plus lump sum 2.5-5	352	317	15
Tim Hemmings Deputy Director, Policy (to 30 June 2012)	5-10 plus lump sum 25-30	0-2.5 plus lump sum 0-2.5	130	127	1
Stephen Hillcoat Deputy Director, Private Office and Communications	20-25 plus lump sum 70-75	0-2.5 plus lump sum 2.5-5	344	312	13
Geth Williams Acting Deputy Director Constitution and Corporate Services (from 1 July 2012)	15-20 plus lump sum 45-50	0-2.5 plus lump sum 2.5-5	272	n/a	n/a
Sian Osborne Acting Deputy Director Policy (from 2 January 2013)	10-15 plus lump sum 30-35	0-2.5 plus lump sum 0-2.5	114	n/a	n/a

Notes to the table:

† Fiona Adams-Jones was on loan from the Welsh Government until 31 December 2012. The Wales Office met the cost of her London accommodation and utilities.

†† Glynne Jones – prior to being appointed Acting Director Glynne was Deputy Director of Constitution and Deputy Head of Office to July 2012 and Deputy Director of Policy to 31 December 2012 .
Where n/a: reflects there is no previous information published.

Salary

‘Salary’ includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by the Wales Office and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by Her Majesty's Revenue and Customs as a taxable emolument. Fiona Adams Jones and Sian Osborne are on loan from the Welsh Government; the Wales Office meets their accommodation and utilities costs in London.

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements, from 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). 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 and nuvos are increased annually in line with changes in the Consumer Prices Index. Members who joined from October 2002 could opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and nuvos. 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' 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, immediately after the scheme year end, the accrued pension is up-rated in line with CPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary 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 and 65 for members of nuvos.

Further details about the Civil service pension arrangements can be found at the website www.civilservice.gov.uk/pensions

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 members' accrued benefits and any contingent spouses' 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 individual 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 calculated in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This 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.

Glynne Jones
Interim Accounting Officer

25 June 2013

8 Statement of Accounting Officer's Responsibilities

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

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

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

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

9 Governance Statement

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

Status and role of the Wales Office

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

Its Director is designated Principal Accounting Officer. An Acting Director and Interim Accounting Officer was appointed in January 2013 when the former Director stood down from that office.

Purpose of the governance framework

The governance framework comprises the systems and processes, and the culture and values, by which the Wales Office is directed and controlled and the means by which it accounts to Parliament. It covers the process by which Ministers and senior management monitor the achievement of its objectives and considers whether the activities of the Office have led to the delivery of appropriate, cost-effective outcomes. The framework incorporates a robust system for risk identification and management.

Governance framework

The Secretary of State for Wales provides political direction to the Wales Office and is accountable to Parliament. He is supported by two Parliamentary Under-Secretaries of State for Wales; one in the House of Commons and one in the House of Lords, and by a small team of civil servants led by the Wales Office Director.

The Wales Office Strategy Board (SB) is responsible for setting its policy priorities and agreeing business objectives. Through the Secretary of State, it reports to Parliament on the delivery of the Department's objectives. It comprises the Ministerial team, with the Secretary of State as chair; two independent non

executive board members (NEBMs); and the Director and Deputy Directors of the Department. SB meetings were held in June 2012 and February 2013, under the Chairmanship of successive Secretaries of State, in view of the Cabinet changes of September 2012. It is expected that the Board will continue to meet 2 or 3 times a year depending on the business needs.

Throughout 2012-13, policy delivery and performance was overseen by a Management Committee (MC) chaired by the Director and comprising the Department's four senior managers (three from January 2013) and two NEBMs. The responsibilities of the MC included delivering the organisation's objectives and outcomes in line with Ministers' strategic priorities. It provides the leadership and capability to achieve each objective and deliver each outcome.

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

In 2012-13, the SB reviewed and agreed the Department's 4 year Business Plan, which includes the Departmental objectives. This allowed the MC to monitor the Department's performance against it, informed by Ministerial thinking and priorities. The lead NEBM in his role as co-chair of the SB undertook a review of the governance procedures of the Department in consultation with SB members in March 2013. A new Strategy Board Framework with an updated business plan was introduced in April 2013.

Interim Accounting Officer role

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

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

Governance

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

Decision-making

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

Financial management

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

The Wales Office has an Audit and Risk Assurance Committee, which is chaired by a NEBM, and comprises one other NEBM – who is a qualified accountant – and one senior Wales Office official. This 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 December. Seeking views from both internal auditors and the National Audit Office Director, the Committee concluded it was operating effectively subject to minor adjustments to its processes.

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

Management Committee

Member	No. of Meetings Attended
Fiona Adams Jones ¹ – Director, Chair	3 of 4
Glynne Jones ² – Acting Director, Chair	4 of 4
David Crawley – Lead NEBM	4 of 4
Ian Summers – NEBM	4 of 4
Stephen Hillcoat – Deputy Director, Private Office and Communications	4 of 4
Sian Osborne ³ – Acting Deputy Director, Policy	1 of 4
Geth Williams ⁴ – Acting Deputy Director, Strategy and Constitution	3 of 4
Mark Williams ⁵ – Head of Corporate Services and Chief Accountant	2 of 4
Tricia Quiller-Croasdell – Head of Communications	2 of 4
Tim Hemmings ⁶ – Deputy Director, Policy	1 of 4
Dawn Brace ⁷ – Head of Corporate Governance and Organisational Change	1 of 4

Footnotes

- Note 1: Fiona Adams Jones was on loan from the Welsh Government until 31 December 2012.
- Note 2: Glynne Jones – prior to being appointed Acting Director Glynne was Deputy Director of Constitution and Deputy Head of Office to July 2012 and Deputy Director of Policy and Deputy Head of Office to 31 December 2012.
- Note 3: Acting Deputy Director of Policy was appointed in 2 January 2013.
- Note 4: Acting Deputy Director Strategy and Constitution appointed 1 July 2012.
- Note 5: Head of Corporate Services and Chief Accountant appointed 16 July 2012.
- Note 6: The Deputy Director of Policy left the Department on 30 June 2012.
- Note 7: Head of Corporate Governance and Organisational Change left the Department in June 2012.

Audit and Risk Assurance Committee

Member	No. of Meetings Attended
David Crawley – Chair Lead NEMB	4 of 4
Ian Summers – NEBM	4 of 4
Geth Williams ¹ – Acting Deputy Director, Strategy and Constitution	3 of 4
Gill Lambert ² – Deputy Head of Policy	1 of 4

Footnotes

- Note 1: Acting Deputy Director Strategy and Constitution appointed to the Committee in July 2012.
- Note 2: Deputy Head of Policy left the Department and the Committee in July 2012

The governance structure also comprised two Sub Committees:

A Health and Safety (H&S) Sub-Committee with a remit to:

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

The Health and Safety Sub-Committee, chaired by a Management Committee member, met once during 2012-13. They considered a range of issues, including staff training in fire warden responsibilities.

A Change and Efficiencies Sub-Committee with a remit to:

- Identify and agree the efficiencies to be recommended to the Board for achievement over the period covered by the Wales Office's budgetary settlement as a result of the last Comprehensive Spending Review;
- Maintain oversight of the development and delivery of the Shared Services project which aims to streamline and strengthen the back-office services which support the Wales Office, Scotland Office and Northern Ireland Office; reporting back to the MC as necessary; and
- Draw up a Change and Efficiencies Plan, and monitor its implementation.

The Sub-Committee, chaired by a Deputy Director, identified recommendations in a report to the Senior Management Team; the accepted recommendations will be presented to the MC for approval.

Business Objectives

The Wales Office Business Plan specifies the following strategic objectives (which are subject to periodic review):

Objective 1: To promote the Welsh economy and the economic interests of Wales;

Objective 2: To oversee and maintain the devolution settlement and to facilitate partnership working between the Government and the devolved institutions in Wales;

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

Objective 4: To promote the economic, social and cultural interests of Wales; and

Objective 5: To conduct our business with courtesy, efficiency, effectiveness and propriety

In working towards these objectives the Wales Office is committed to adhering to its core values at all times, namely:

- Excellence and quality in everything that we do;
- Committed to the development and welfare of our staff;
- Transparency and partnership working.

Decision taking and business management

The Wales Office was organised into three divisions to deliver its functions:

1. Policy and Legislation;
2. Private Office and Communications; and
3. Constitution and Corporate Services.

Each of these was headed by a Deputy Director who reported to the Director. Budgets were delegated within each division, under the oversight of the relevant Deputy Director.

Team budgets were also monitored monthly by the senior team and quarterly financial reports were reviewed and discussed by the MC. The senior management team met on a weekly basis to oversee and co-ordinate day-to-day business, management issues, and budgetary matters.

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

Performance

Internal Audit reviews during the year covered: shared parliamentary service; business continuity management; workforce planning; budget management; establishment of the Silk Commission and the Wales Office's continued role; and service level agreements with MoJ. The formal report of every one of these reviews gave a reasonable assurance that the Department's overall risk, control and governance framework is adequate to enable the achievement of its objectives and that the key risks to the Department are being effectively managed.

Examples of issues that were considered by the MC during the year included:

- Review of the Departmental Business Plan;
- Strategic risks;
- Relocation of the Cardiff Office; and
- Capital works to maintain and repair Gwydyr House.

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

- Service Level Agreements;
- The Department's risk registers and the annual risk management workshops for staff;
- Review and update of the Wales Office's anti fraud and whistle blowing policy; and
- Annual Report and Resource Accounts.

Compliance with the Corporate Governance Code

The Wales Office took full account of HM Treasury's guidance Corporate Governance in Central Government Departments (July 2011) in adapting and strengthening its processes to reflect its status as a stand-alone Department but on a scale proportionate to its size, budget and function – which is to provide policy support and advice to Wales Office Ministers rather than to deliver programmes or services directly to the public. Areas where the Department does not currently fully comply with the guidance are limited to:

- Numbers of NEBMs. After due consideration by the Director, Management Committee and the Audit and Risk Assurance Committee; along with discussions involving Ministry of Justice internal audit and National Audit Office, the Department reached a decision not to increase its NEBMs numbers. It is felt the current membership is proportionate to the size of the Department (around 50 staff). The two current NEBMs bring extremely valuable skills and experience which are particularly relevant to the Wales Office. The lead NEBM has extensive experience of public finance as a former Accounting Officer and has wide current experience of Board membership at a senior level in substantial public and charitable organisations. The second NEBM – a qualified accountant – has considerable experience of public accounting and audit at a senior level as well as operating within the devolved Welsh public sector. The Department will seek to recruit new NEBMs towards the end of 2013-14 when the current terms expire;
- In order to ensure the Audit and Risk Assurance Committee comprises at least three members, there is an additional executive member to provide a greater understanding of the legislative and policy work of the Department; and
- Following the review of the Strategy Board, Ministers decided the frequency of meetings should remain at two or three per year (rather than four) in view of the small size of the Department. The Strategy Board met twice in 2012-13.

Risk identification and management

The Wales Office's system of internal control is designed to identify business risk and manage it to a reasonable level. It is based on a continuous process designed to identify and prioritise risks to the achievement of the Wales Office's objectives, to evaluate the likelihood of those risks being realised and their potential impact, and to manage them efficiently, effectively and economically.

The robustness of this system continues to be illustrated by the Department's handling of the independent Commission on Devolution in Wales. This was a commitment in the Coalition Government's 'Programme for Government' and required a considerable resource commitment from the Department in terms of establishing and resourcing the Commission and its Secretariat. The main risk identified was the Department having insufficient resources to meet the needs of the Commission, preventing them delivering their objectives.

Having identified the key risks, plans were put in place to ensure successful delivery. The Commission has now completed the first part of its remit, and is currently working on the second part. Contingency plans continue to be maintained so that the Commission receives the support it needs to fulfil its mandate within the agreed timetable.

Similarly the Department's response to risk was illustrated in its handling of issues relating to historical cases of child abuse in North Wales. The key risks identified were failure to respond promptly and decisively to emerging high-profile issues, failure to provide staff resources and failure to ensure historical records were made available to the inquiry that was established subsequently. The Department played a key role in the establishment of two reviews and responded rapidly to provide one of the review teams with both staffing and all the relevant material the Department held on the issue.

The main operational risk identified was failure to ensure payment to the Welsh Consolidated Fund. The Department mitigates this risk through the use of service level agreements that include the Welsh Government and the Government Banking Service, agreed drawdown processes and contingency plans.

Capacity to handle risk

Risks were identified and articulated both at a strategic and an operational level, by the Management Committee and at working level by the branches within the three divisions. The branch risk registers underpinned and fed into the overarching Departmental Risk Register which was reviewed quarterly by the MC. The Audit and Risk Assurance Committee scrutinised the handling of key risks at two of its quarterly meetings and took a more in-depth look at selected individual risks and the handling of them.

Risk and control framework

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

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

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

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

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

Information Risk and Assurance

Information Assets

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

Risks

The Wales Office has identified the following specific information risks:

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

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

Management of risks

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

- Staff have been given a booklet specific to the Department that details their responsibilities and that gives guidance on information handling. This will be updated and distributed to all staff in 2013-14;
- Staff are periodically reminded about the rules for safeguarding information when travelling;
- The Department has a clear desk policy for both of our offices that require sensitive information to be stored appropriately; and
- Staff have been made aware of procedures to report losses of sensitive information and items such as smartphones.

Risk 2 Compromise of information by unauthorised access

- Provide staff with security guidance for use of electronic devices whilst on foreign visits;
- Maintain an access control system for records management that limits users to specific files only, and access is periodically reviewed; and
- HR files are secured in locked cabinets and in a lockable room. A project to convert paper HR files to an electronic format was started in 2012 and will continue through 2013, which will further strengthen controls.

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

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

Risk 4 Loss of information due to theft:

- Security arrangements were upgraded in 2011-12;
- Cardiff based staff are periodically reminded to challenge strangers they see on the floor;
- The clear desk policy is designed to prevent documents being left unsecured, and a number of spot-checks shows that the policy is being adhered to; and
- Staff were provided with a secure means of transporting papers and other sensitive items to Caspian Point when the office move was undertaken.

Outcomes during 2012-13

There were no data losses during 2012-13. All staff completed the mandatory protecting information training by the end of March 2013.

Summary report from the Chair of the Audit and Assurance Committee

The Committee paid close attention throughout the year to the finance, accounting and governance issues of the Wales Office in view of the importance of ensuring that accurate, well based accounts were presented for audit. The Committee also continued to supervise risk management closely and considered a number of specific finance issues. Based on its work over the year and the reports provided by internal audit, the Committee is able to give reasonable assurance to the Accounting Officer on the adequacy of audit arrangements and on the governance, risk management and control arrangements operated in the Department.

Assessment of system of internal control

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

Glynne Jones
Interim Accounting Officer

25 June 2013

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

I certify that I have audited the financial statements of the Wales Office for the year ended 31 March 2013 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Department's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits

(Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2013 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's affairs as at 31 March 2013 and of its net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the sections of the Annual Report entitled Achievements by Objective, Management Commentary and Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

27 June 2013

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

11 Accounts

Statement of Parliamentary Supply Summary of Resource and Capital Outturn 2012-13

Note	2012-13 Estimate			2012-13 Outturn			2012-13 Voted Outturn compared with Estimate: saving/ (excess) £000	2011-12 Outturn £000	
	Voted	Non-Voted	Total	Voted	Non-Voted	Total			
	£000	£000	£000	£000	£000	£000			
Departmental Expenditure Limit									
-Resource	2.1	6,166	-	6,166	5,423	-	5,423	743	5,178
-Capital	2.2	724	-	724	316	-	316	408	185
Annually Managed Expenditure									
-Resource	2.1	(20)	-	(20)	(20)	-	(20)	-	109
-Capital	2.2	-	-	-	-	-	-	-	-
Total Budget		6,870	-	6,870	5,719	-	5,719	1,151	5,472
Non-Budget									
-Resource	2.1	12,860,823	-	12,860,823	12,786,547	-	12,786,547	74,276	12,791,783
Total		12,867,693	-	12,867,693	12,792,266	-	12,792,266	75,427	12,797,255
Total Resource		12,866,969	-	12,866,969	12,791,950	-	12,791,950	75,019	12,797,070
Total Capital		724	-	724	316	-	316	408	185
Total		12,867,693	-	12,867,693	12,792,266	-	12,792,266	75,427	12,797,255

Net cash requirement 2012-13

Note	2012-13		2012-13 Outturn compared with Estimate: saving/ (excess) £000	2011-12 Outturn £000	
	Estimate	Outturn			
	£000	£000			
Net cash requirement	4	12,867,493	12,792,506	74,987	12,796,722

Administration costs 2011-12

3	2012-13 Estimate	2012-13 Outturn	2011-12 Outturn
	£000	£000	£000
	6,106	5,346	5,254

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

Explanation of variances between Estimate and Outturn are given in Note 2 and the Management Commentary on pages 25-26

The notes on pages 62 to 91 form part of these accounts

Statement of Comprehensive Net Expenditure For the year ended 31 March 2013

		<u>2012-13</u>	<u>2011-12</u>
		<u>Core</u>	<u>Core</u>
	Note	<u>Department</u>	<u>Department</u>
		£000	£000
Administration Costs:			
Staff Costs	6.1	3,056	3,155
Other administration costs	7	2,299	2,111
Operating income	9	(9)	(39)
Programme Costs:			
Staff Costs	6.1		
Programme costs	8	12,786,604	12,791,816
NLF interest payable		1,693	1,700
NLF interest receivable		(1,693)	(1,700)
Net Operating Cost		<u>12,791,950</u>	<u>12,797,043</u>
Total expenditure		12,791,959	12,797,082
Total income		(9)	(39)
Net Operating Cost		<u>12,791,950</u>	<u>12,797,043</u>
Other Comprehensive Expenditure			
Net Operating Cost		12,791,950	12,797,043
Net gain/(loss) on revaluation of Property, Plant and Equipment		(95)	(485)
Total Comprehensive Expenditure for the year ended 31 March 2013		<u>12,791,855</u>	<u>12,796,558</u>

The notes on Pages 62 to 91 form part of these accounts

Statement of Financial Position As at 31 March 2013

	Note	31 March 2013 <u>£000</u>	31 March 2012 <u>£000</u>
Non-current assets:			
Property, plant and equipment	10	3,994	3,665
Financial assets	12	11,554	11,613
Receivables falling due after more than one year	13	13	20
Total non-current assets		<u>15,561</u>	<u>15,298</u>
Current assets:			
Trade and other receivables	13	223	276
Cash and cash equivalents	14	389	232
Total current assets		<u>612</u>	<u>508</u>
Total Assets		<u>16,173</u>	<u>15,806</u>
Current liabilities			
Trade and other payables	15.1	(1,297)	(1,528)
Total current liabilities		<u>(1,297)</u>	<u>(1,528)</u>
Assets less net current liabilities		<u>14,876</u>	<u>14,278</u>
Non-current liabilities			
Provisions	16	(89)	(109)
Financial liabilities	15.1	(11,554)	(11,613)
Total non-current liabilities		<u>(11,643)</u>	<u>(11,722)</u>
Assets less liabilities		<u>3,233</u>	<u>2,556</u>
Taxpayers' equity:			
General fund		635	49
Revaluation reserve		2,598	2,507
Total taxpayers' equity		<u>3,233</u>	<u>2,556</u>

Glynne Jones
Interim Accounting Officer

25 June 2013

The notes on Pages 62 to 91 form part of these accounts

Statement of Cash Flows For the year ended 31 March 2013

		<u>2012-13</u>	<u>2011-12</u>
	Note	£000	£000
Cash flows from operating activities			
Net operating cost	SOCNE	(12,791,950)	(12,797,043)
Adjustments for non-cash transactions	7	108	204
(Increase)/Decrease in trade and other receivables	13.1	60	847
<i>Less: Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		7	(7)
Increase/(Decrease) in trade payables	15.1	(290)	(1,207)
<i>Less: Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure</i>		(105)	689
Use of provisions		(20)	(20)
Net cash outflow from operating activities		<u>(12,792,190)</u>	<u>(12,796,537)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	2.2	(316)	(185)
(Loan repayment) from other bodies		52	45
Net cash outflow from investing activities		<u>(264)</u>	<u>(140)</u>
Cash flows from financing activities			
From the Consolidated Fund (Supply) – Current Year		12,792,697	12,796,083
Repayment of loans from the NLF		(52)	(45)
Net financing		<u>12,792,645</u>	<u>12,796,038</u>
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		191	(639)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities	5.2	21,046	29,144
Payments of amounts due to the Consolidated Fund	5.2	(21,080)	(29,110)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		<u>157</u>	<u>(605)</u>
Cash and cash equivalents at the beginning of the period	14	<u>232</u>	<u>837</u>
Cash and cash equivalents at the end of the period	14	<u>389</u>	<u>232</u>

The notes on Pages 62 to 91 form part of these accounts

Statement of Changes in Taxpayers Equity For the year ended 31 March 2013

	Note	General Fund £000	Revaluation Reserve £000	Total Taxpayers' Equity £000
Balance at 31 March 2011		369	2,041	2,410
Changes in accounting policy		-	-	-
Balance at 1 April 2011		369	2,041	2,410
Net Parliamentary Funding				
- Drawn down		12,796,083		12,796,083
- Deemed		830		830
Unspent Supply drawn down repayable to the Consolidated Fund	15.1	(198)		(198)
CFERs payable to the Consolidated Fund	15.1	(27)		(27)
Comprehensive Net Expenditure for the year	SOCNE	(12,797,043)	485	(12,796,558)
Non-cash charges				
- Auditor's remuneration	7	25		25
Other Reserve Movements				
- Fixed Assets		(48)		(48)
- Other Government Department recharges to prior year		39		39
Movements in Reserves				
- Transfers between reserves		19	(19)	-
Balance at 31 March 2012		49	2,507	2,556
Balance at 1 April 2012		49	2,507	2,556
Net Parliamentary Funding				
- Drawn down	SCF	12,792,697		12,792,697
- Deemed		198		198
Unspent Supply drawn down repayable to the Consolidated Fund	15.1	(389)		(389)
CFERs payable to the Consolidated Fund				-
Comprehensive Net Expenditure for the year	SOCNE	(12,791,950)		(12,791,950)
Non-cash charges				
- Auditor's remuneration	7	26		26
Other Reserve Movements				
- Fixed Assets		-	95	95
Movements in Reserves				
- Transfers between reserves		4	(4)	-
Balance at 31 March 2013		635	2,598	3,233

The notes on Pages 62 to 91 form part of these accounts

Notes to the accounts for the year ended 31 March 2013

1. Statement of accounting policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with HM Treasury's Financial Reporting Manual 2012-13 (FReM). The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

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

The functional and presentational currency of the Wales Office is the British pound sterling (£).

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be the most appropriate to the particular circumstances of the Wales Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Wales Office are described below. They have been applied consistently in dealing with items considered material in relation to these Accounts.

1.2 Accounting convention

These Accounts have been prepared on an accruals basis under the historical cost convention, as modified to account for the revaluation of non-current assets and inventories, where material.

1.3 Operating segments

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

1.4. Property, plant and equipment

Valuation basis

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

Valuation method

The Wales Office has one property asset – Gwydyr House – which is included at fair value, as interpreted by the FReM, on the basis of a professional valuation, which is conducted at least once every five years.

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

In between professional valuations, carrying values are adjusted by the application of indices or through desktop valuations.

Gwydyr House is classified as a grade 2* listed building which cannot be sold on the open market. Specialised properties are valued on depreciated replacement cost (DRC) and modern equivalent basis in accordance with the Red Book, taking into account the functional obsolescence of the property.

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

Revaluation

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

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

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

Capitalisation threshold – individual assets

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

Capitalisation threshold – grouped assets

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

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

Depreciation

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

Estimated useful asset lives are within the following ranges:

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

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

Disposal of non-current assets

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

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

1.5 Assets under construction

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

Expenditure is capitalised where it is directly attributable to bringing an asset into working condition. The Wales Office's own staff costs are expensed to the Statement of Comprehensive Net Expenditure, as are those of agency and contract staff undertaking ongoing roles that might otherwise be filled by civil servants. The costs of external consultants engaged on specific projects are capitalised where they are directly attributable to bringing the asset into working order.

1.6 Intangible Assets

The Wales Office does not have any intangible assets

1.7 Leases

Finance leases

The Wales Office does not have any finance leases.

Operating leases

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

Arrangements containing a lease

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

1.8 Investments

National Loans Fund (NLF)

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

1.9 Employee benefits

Employee leave accruals

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

Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded and are non-contributory except in respect of dependants benefits. The Department recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the department recognises the contributions payable for the year.

Early departure costs

The Ministry of Justice and Welsh Government are required to pay the additional cost of benefits beyond the normal PCSPS and LGPS benefits in respect of their employees who retire early, unless the retirement is on approved medical grounds. The total cost is provided in full when the early departure programme has been announced and is binding on the Ministry of Justice or Welsh Government. The estimated risk-adjusted cash flows are discounted using HM Treasury's discount rate of 2.35% (2010-11: 2.8%) in real terms.

1.10 Operating income

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

1.11 Consolidated Fund Extra Receipts (CFERs)

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

1.12 Administration and Programme expenditure

The Statement of Comprehensive Net Expenditure comprises administration expenditure for the running costs of the Secretary of State for Wales together with programme expenditure for the Lord Lieutenants expenses and the grant payable to the Welsh Consolidated Fund under Section 118 of the Government of Wales Act 2006.

1.13 Non-cash costs

Audit Fees

Non-cash costs represent the National Audit Office's (NAO) fee for the audit of the financial statements.

1.14 Provisions

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

Provisions reflect the best estimate of the expenditure required to settle the obligation. Where the effect of discounting is material, provisions are measured at their present value using the real rate set by HM Treasury, currently 2.2%; by comparison 2011-12 rates were 2.6%.

1.15 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.

1.16 Financial instruments

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

Classification and measurement – financial assets

In addition to Cash and cash equivalents, the Wales Office has two categories of financial assets:

Loans and receivables

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

1.17 Cash and cash equivalents

Cash and cash equivalents recorded in the Statement of Financial Position and Statement of Cash Flow include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts

1.18 Significant accounting estimates and assumptions

The Accounts reflect estimates and assumptions concerning the future. By definition, estimates are unlikely to be the same as actual results. Estimates are continually evaluated and are based on historical experience and other relevant factors including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provision for Liabilities and Charges

The provisions for liabilities and charges reported at note 16 reflect judgements about the likelihood that a future transfer of economic benefits will arise as a result of past events. Where the likelihood of a liability crystallising is deemed probable and where it is possible to quantify the effect with reasonable certainty, a provision is recognised. Where the likelihood of potential liabilities crystallising is judged to be possible, a contingent liability is disclosed.

Lease accounting

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

1.19 New standards, amendments and interpretations issued but not effective for the financial year beginning 1 April 2012 and not early adopted

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

IAS 19 – Post employment pension benefits (pensions). This standard is effective for accounting periods beginning on or after 1 January 2013. There is an impact on defined benefit pension scheme accounts and other entities consolidating defined benefit. Entities may also be impacted by modifications to accounting for termination benefits.

IFRS 9 – Financial Instruments (effective from accounting periods beginning on or after 1 January 2015 (as per exposure draft issued 4 August 2011 – not yet EU adopted). This standard has three phases; Phase 1, classification and measurement issues; Phase 2 how impairments of financial assets should be calculated and recorded and Phase 3 addresses hedge accounting. HM Treasury will review the impact of this IFRS on government departments when a final IFRS has been issued.

IFRS 13 – Fair Value Measurement (effective from 1 January 2013). This standard has been prepared to provide consistent guidance on fair values measurement for all relevant balances and transactions covered by IFRS (except where IFRS 13 states otherwise).

IAS 1 – Presentation of Financial Statements (annual improvements 2009-11 on or after 1 January 2013). Clarification of the requirements for comparative information. This clarification does not change the minimum requirements.

IAS 16 – Property, Plant and Equipment (annual improvements 2009-11 on or after 1 January 2013). Classification of servicing equipment- items such as spare parts, stand by equipment and servicing equipment are recognised under IAS 16 when they meet the definition of property, plant or equipment. They are otherwise classified under inventory under IAS2.

IAS 32 – Financial Instruments: Presentation (annual improvements 2009-11 on or after 1 January 2013). Tax effect of distribution to holders of equity instruments. The FReM is expected to apply this change in full.

The above standards to be adopted are not expected to have a material impact on the Wales Office.

2. Analysis of outturn by section
2.1 Analysis of Net resource outturn by section

	Administration				Programme		2012-13 Outturn	2012-13 Estimate	2011-12 Outturn
	Gross	Income	Net Total	Gross	Income	Net Total			
	£000	£000	£000	£000	£000	£000			
Spending in Departmental Expenditure Limits (DEL)									
Voted expenditure									
A Wales Office	4,813	(9)	4,804	57	-	57	4,861	5,480	4,959
B Commission on Devolution	562	-	562	-	-	-	562	686	219
Total Voted expenditure in DEL	5,375	(9)	5,366	57	-	57	5,423	6,166	5,178
Spending in Annually Managed Expenditure (AME)									
Voted expenditure									
C Provisions	(20)	-	(20)	-	-	-	(20)	(20)	109
Total; Voted expenditure in AME	(20)	-	(20)	-	-	-	(20)	(20)	109
Non-Budget Spending									
D Grant payable to the Welsh Consolidated Fund	-	-	-	12,786,547	-	12,786,547	12,786,547	12,860,823	12,791,783
Total for Estimate:	-	-	-	12,786,547	-	12,786,547	12,786,547	12,860,823	12,791,783
Of which:									
Total voted in Estimate	5,355	(9)	5,346	12,786,604	-	12,786,604	12,791,950	12,866,969	12,797,070

2.2. Analysis of net capital outturn by section

			2012-13 Outturn	2012-13 Estimate		2011-12 Outturn
	Gross	Income	Net	Net Total	Net total Outturn compared with Estimate	
	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)						
Voted expenditure						
A Wales Office	316	-	316	724	408	185
Total Voted Expenditure in DEL	316	-	316	724	408	185
Total for Estimate:	316	-	316	724	408	185
Of which:						
Total voted in Estimate	316	-	316	724	408	185

Significant variances between estimate and Outturn are explained in the Management Commentary chapter 5 of the Annual Report

3. Reconciliation of outturn to net operating cost and against Administration Budget

3.1 Reconciliation of Net resource outturn to net operating cost

		<u>2012-13</u>	<u>2011-12</u>
		Outturn compared with estimate	Outturn
Note	Outturn	Estimate	estimate
	£000	£000	£000
Total resource outturn in Statement of Parliamentary Supply			
Budget	2	5,403	6,146
Non-Budget	2	12,786,547	12,860,823
		<u>12,791,950</u>	<u>12,866,969</u>
		<u>75,019</u>	<u>75,019</u>
Add:			
Capital grants (net of EU contributions)		-	-
Other		-	-
Less:			
Income payable to the Consolidated Fund		-	(27)
Other		-	-
		<u>-</u>	<u>(27)</u>
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure (for the year ended 31 March 2013)			
		<u>12,791,950</u>	<u>12,866,969</u>
		<u>75,019</u>	<u>75,019</u>
		<u>12,797,043</u>	<u>12,797,043</u>

Note 2 provides a breakdown of the underspend against Supply Estimate by subhead. Explanations for significant variances between Estimate and Outturn are explained in the Management Commentary in chapter 5.

3.2 Outturn against final Administration budget and Administration net operating cost

		<u>2012-13</u>	<u>2011-12</u>
	Note	<u>£000</u>	<u>£000</u>
Estimate Administration Costs Limit		6,106	5,843
Outturn – Gross Administration Costs	2.1	5,355	5,266
Outturn – Gross Income relating to Administration Costs		(9)	(12)
Outturn – Net Administration Costs	2.1	5,346	5,254
Reconciliation to operating costs:			
Less: provisions utilised (transfer from Programme)		-	-
Less: Other	5.1	-	(27)
Administration Net Operating Costs		<u>5,346</u>	<u>5,227</u>

The Parliamentary control on administrative costs applies to departments as per FReM Chapter 11.

4. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate	Outturn	Net total outturn compared with Estimate saving/ (excess)
		<u>£000</u>	<u>£000</u>	<u>£000</u>
Resource Outturn	2.1	12,866,969	12,791,950	75,019
Capital Outturn	2.2	724	316	408
Accruals to cash adjustment				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(100)	(82)	(18)
New provisions and adjustments to previous provisions				
Departmental Unallocated Provision				
Supported capital expenditure (revenue)				
Prior Period Adjustments				
Other non-cash items		(120)	(26)	(94)
<i>Adjustments for NDPBs:</i>				
Remove voted resource and capital				
Add cash grant-in-aid				
<i>Adjustments to reflect movements in working balances:</i>				
Increase/(decrease) in stock				
Increase/(decrease) in receivables			(67)	67
(Increase)/decrease in payables			395	(395)
Use of provisions	16	20	20	-
Removal of non-voted budget items:				
Consolidated Fund Standing Services				
Net cash requirement		<u>12,867,493</u>	<u>12,792,506</u>	<u>74,987</u>

5. Income payable to the Consolidated Fund

5.1 Analysis Income payable to the Consolidated Fund

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

	Note	Outturn 2012-13		Outturn 2011-12	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
		£000	£000	£000	£000
Operating income outside the ambit of the Estimate - Forfeited Assembly Election Deposits	9	-	-	27	27
Excess income	9				
Total income payable to the Consolidated Fund		-	-	27	27

5.2 Consolidated Fund income

Consolidated Fund income shown in note 5.1 does not include any amounts collected by the Wales Office where it was acting as agent for the Consolidated Fund rather than as principal. The amounts collected as agent for the Consolidated Fund (which are otherwise excluded from these financial statements) were:

	2012-13	2011-12
	£000	£000
Income collected by the Welsh Government and due to the Consolidated Fund	21,046	29,110
	21,046	29,110
Amount payable to the Consolidated Fund	21,046	29,110
Balance held at start of year	-	-
Payments into the Consolidated Fund	21,046	29,110
Balance held on trust at the end of the year		

The income for 2012-13 arises from repayment of Student Loans £20,929,000, Cleddau Bridge Loan £100,000, Tai Cymru £8,000, Bank Interest £6,000 and Other Miscellaneous Income £3,000

The total income paid into the Consolidated Fund as at 31st March 2013:

	2012-13
	£000
Income from 2010-11	7
Income from 2011-12	27
Income from 2012-13	21,046
	21,080

6. Staff numbers and related costs

6.1 Staff Numbers and Related Costs

					31 March 2013	31 March 2012
	Permanently Employed Staff	Others	Ministers	Special Advisors	Total	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	2,249	83	96	43	2,471	2,593
Social security costs	179	-	8	6	193	202
Other pension costs	383	-	-	9	392	412
Sub Total	2,811	83	104	58	3,056	3,207
Less recoveries in respect of outward secondments	-	-	-	-	-	(52)
Total Net Costs	2,811	83	104	58	3,056	3,155
Of which:						
Charged to Admin Costs	2,811	83	104	58	3,056	3,155
Charged to Programme Costs	-	-	-	-	-	-
	2,811	83	104	58	3,056	3,155

Of the above amounts the amounts attributable to the Commission on Devolution in Wales are:-

Wages and salaries	152	4	-	-	156	100
Social security costs	18	-	-	-	18	9
Other pension costs	30	-	-	-	30	14
Sub Total	200	4	-	-	204	123
Less recoveries in respect of outward secondments	-	-	-	-	-	-
Total Net Costs	200	4	-	-	204	123

6.2 Average number of staff employed at the Wales Office

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

	<u>31 March 2013</u>	<u>31 March 2012</u>
Core Department		
Permanent staff	52.0	54.0
Others	1.0	1.0
Ministers	2.0	2.0
Special Advisers	1.0	1.0
	-	-
Total	<u>56.0</u>	<u>58.0</u>
Core Department Total	<u>56.0</u>	<u>58.0</u>

The average number of staff in post as at 31st March 2013 includes one (temporary) agency member of staff, ten staff on loan from the Welsh Assembly Government and four on loan from other Government Departments. In addition, three additional staff were on funded loan to the Commission on Devolution in Wales.

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Wales Office is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation of the scheme was carried out on 31 March 2007 and details can be found in the resource accounts of the Cabinet Office: Civil Superannuation at www.civilservice-pensions.gov.uk

For 2012-13, employers' pension contributions of £392k (2011-12: £412k) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% (2011-12: 16.7% to 24.3%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflected past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' pension contributions of £0 (2011-12: £0) were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age related and range from 3.0% to 12.5% (2011-12: 3.0% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3.0% of pensionable pay.

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

Contributions due to the partnership pension providers at the reporting period date were £0 (2011-12:£0)

There were no retirements during 2012-13 (2011-12: Nil) on the grounds of ill health.

7. Other Administration Costs

	March 31 2013	March 31 2012
Note	£000	£000
Accommodation, maintenance and utilities	867	632
Communications, office supplies and services	76	101
Rentals under operating leases: land and buildings	234	246
Rentals under operating leases: other (plant, machinery, vehicles etc)	137	76
Service concession charges: IT	-	6
Service concession charges: Other	28	20
IT services & telecommunications (non-service concession arrangements)	128	92
Other contracted out services	24	17
Transcript fees	2	-
Professional services	61	53
Travel and subsistence	317	282
Training and other staff related costs	20	30
Bank fees and charges	2	2
Research and development expenditure	67	-
Other administration expenditure	82	79
Charitable Grant	-	125
Allocation of overheads*	146	146
Non-cash items		
Depreciation	82	70
Auditors' remuneration and expenses	26	25
Provision provided for in year	-	109
TOTAL	2,299	2,111

Of the above amounts the amounts attributable to the Commission on Devolution in Wales are:-

Accommodation, maintenance and utilities	157	12
Communications, office supplies and services	-	6
Rentals under operating leases: land and buildings	50	-
Rentals under operating leases: land and buildings	-	4
Service concession charges: IT	-	2
IT services & telecommunications (non-service concession arrangements)	1	22
Transcript fees	2	-
Travel and subsistence	29	11
Training and other staff related costs	12	1
Research and development expenditure	67	-
Other administration expenditure	40	38
TOTAL	358	96

8. Programme Costs

	<u>31 March 2013</u>	<u>31 March 2012</u>
	<u>£000</u>	<u>£000</u>
<i>Programme Costs – Wales Office</i>		
Lord Lieutenants' expenses	57	33
Funding of the National Assembly for Wales	12,786,547	12,791,783
Total Programme Costs	<u>12,786,604</u>	<u>12,791,816</u>

9. Income

		<u>31 March 2013</u>	<u>31 March 2012</u>
	Note	<u>£000</u>	<u>£000</u>
Income			
Rental income		9	12
Total Income		<u>9</u>	<u>12</u>
Payable to Consolidated Fund			
Excess Income	5.1	-	-
Forfeited Assembly Election Deposits	5.1	-	27
Total payable to Consolidated Fund		<u>-</u>	<u>27</u>
Grand Total		<u>9</u>	<u>39</u>
Of which			
Administration income		9	39
Total		<u>9</u>	<u>39</u>

10. Property, Plant and Equipment

	Land	Buildings	Plant & Equipment	Furniture & Fittings	Payments on Account & Assets under Construction	Total
	£000	£000	£000	£000	£000	£000
2012-13						
Cost or valuation						
At 1 April 2012	2,584	1,176	140	80	67	4,047
Additions	-	-	9	156	151	316
Revaluations	(24)	118	3	1	-	98
Reclassifications	-	218	-	-	(218)	-
Restatements	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
At 31 March 2013	2,560	1,512	152	237	-	4,461
Depreciation						
At 1 April 2012	-	(228)	(74)	(80)	-	(382)
Charged in year	-	(44)	(29)	(9)	-	(82)
Revaluations	-	-	(2)	(1)	-	(3)
Reclassifications	-	-	-	-	-	-
Restatements	-	-	-	-	-	-
At 31 March 2013	-	(272)	(105)	(90)	-	(467)
Net book value at 31 March 2013	2,560	1,240	47	147	-	3,994
Net book value at 1 April 2012	2,584	948	66	-	67	3,665
Asset financing:						
Owned	2,560	1,240	47	147	-	3,994

10.a Property, Plant and Equipment *(continued)*

	<u>Land</u>	<u>Buildings</u>	<u>Plant & Equipment</u>	<u>Furniture & Fittings</u>	<u>Payments on Account & Assets under Construction</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
2011-12						
Cost or valuation						
At 1 April 2011	2,116	961	139	102	130	3,448
Additions	-	118	-	-	67	185
Revaluations/ impairments	484	-	1	1	-	486
Reclassifications	(16)	(33)	-	-	-	(49)
Restatements	-	-	-	(23)	-	(23)
Transfers	-	130	-	-	(130)	-
At 31 March 2012	<u>2,584</u>	<u>1,176</u>	<u>140</u>	<u>80</u>	<u>67</u>	<u>4,047</u>
Depreciation						
At 1 April 2011	-	(186)	(46)	(103)	-	(335)
Charged in year	-	(42)	(28)	-	-	(70)
Revaluations/ impairments	-	-	-	(1)	-	(1)
Restatements	-	-	-	24	-	24
At 31 March 2012	<u>-</u>	<u>(228)</u>	<u>(74)</u>	<u>(80)</u>	<u>-</u>	<u>(382)</u>
Net book value at 31 March 2012	<u>2,584</u>	<u>948</u>	<u>66</u>	<u>-</u>	<u>67</u>	<u>3,665</u>
Net book value at 1 April 2011	<u>2,116</u>	<u>775</u>	<u>93</u>	<u>(1)</u>	<u>130</u>	<u>3,113</u>
Asset financing:						
Owned	<u>2,584</u>	<u>948</u>	<u>66</u>	<u>-</u>	<u>67</u>	<u>3,665</u>

11. Financial Instruments

11.1 Categories of Financial Instruments

	Note	31 March 2013 £'000	31 March 2012 £'000
Financial Assets			
Cash	14	389	232
<i>Loans and Receivables < 1yr</i>			
Other receivables (gross)	13.1	32	92
National Loans Fund – capital	13.1	59	52
<i>Loans and Receivables > 1yr</i>			
National Loans Fund	15.1	11,554	11,613
Carrying amount of Financial Assets		12,034	11,989
Financial Liabilities			
<i>Financial Liabilities at amortised cost</i>			
National Loans Fund – capital	15.1	(11,613)	(11,665)
Carrying amount of Financial Liabilities		(11,613)	(11,665)

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

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

12. Investments

	<u>31 March 2013</u>
	<u>Loans funded from National Loans Fund</u>
	<u>£000</u>
Balance at 31 March 2012	11,613
Transfers	(59)
Balance at 31 March 2013	<u>11,554</u>

13. Trade Receivables and other current assets

13.1 Analysis by type

	Note	31 March 2013 £000	31 March 2012 £000
Amounts falling due within one year:			
Trade receivables		-	16
VAT receivables		22	31
Deposits and advances		3	2
Other receivables		7	-
Prepayments (non PFI) and accrued income		-	43
Current part of NLF loan – interest receivable		132	132
Current part of NLF loan – capital	12	59	52
Total receivables		223	276
	Note	31 March 2013 £000	31 March 2012 £000
Amounts falling due after more than one year:			
Deposits and advances		13	20
Total receivables		13	20

13.2 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2012 £000	31 March 2012 £000	31 March 2012 £000	31 March 2012 £000
Balances with other central government bodies	219	231	-	-
<i>Subtotal:</i> intra-government balances	219	231	-	-
Balances with bodies external to government	4	45	13	20
Total receivables	223	276	13	20

14. Cash and cash equivalents

	<u>31 March 2013</u>	<u>31 March 2012</u>
	<u>£000</u>	<u>£000</u>
Balance at 1 April	232	837
Net change in cash and cash equivalents	157	(605)
Balance at 31 March	<u>389</u>	<u>232</u>
The following balances were held at:		
Government Banking Service	388	(20)
Commercial banks and cash in hand	1	252
Total	<u>389</u>	<u>232</u>

15. Trade Payables and other current liabilities

15.1 Analysis by type

		31 March 2013	31 March 2012
	Note	£000	£000
Amounts falling due within one year:			
Other taxation and social security		66	69
Trade payables		50	24
Other payables		79	49
Accruals		522	970
Current part of NLF loan – capital	12	59	52
Current part of NLF loan – interest payable		132	132
Amounts issued from the Consolidated Fund for supply but not spent at year end		389	198
Amounts due to the Consolidated Fund for excess Income		-	34
Total payables		1,297	1,528

		31 March 2013	31 March 2012
	Note	£000	£000
Amounts falling due after more than one year:			
NLF loans	12	11,554	11,613
Total payables		11,554	11,613

15.2 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	£000	£000	£000	£000
Balances with other central government bodies	1,121	984	11,554	11,613
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	1	16	-	-
<i>Subtotal:</i> intra-government balances	1,122	1,000	11,554	11,613
Balances with bodies external to government	175	528	-	-
Total payables	1,297	1,528	11,554	11,613

16. Provisions for Liabilities and Charges

	Early Retirement Costs	Total
	£000	£000
Balance as at 1 April 2011	-	-
Provided in year	129	129
Provisions not required written back	-	-
Provisions utilised in year	(20)	(20)
Unwinding of discount	-	-
Balance as at 1 April 2012	109	109
Provided in year	-	-
Provisions not required written back	-	-
Provisions utilised in year	(20)	(20)
Unwinding of discount	-	-
Balance as at 31 March 2013	89	89

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

16.1 Analysis of expected timing of discounted flows

	Early Retirement 2012-13	Early Retirement 2011-12
	£000	£000
Not later than one year	20	20
Later than one year and not later than five years	69	89
Later than five years	-	-
Balance as at 31 March 2013	89	109

17. Commitments under leases

Operating leases

Commitments under operating leases to pay rentals during the year following the year of these accounts are given in the table below, analysed according to the period in which the lease expires.

	31 March 2013	31 March 2012
	Core Department	Core Department
	£000	£000
Obligations under operating leases comprise:		
Land & Buildings:		
Not later than one year	130	42
Later than one year but not later than five years	366	-
Later than five years	362	-
Total	858	42
Other:		
Not later than one year	88	81
Later than one year but not later than five years	53	50
Later than five years	-	-
Total	141	131
Grand Total	999	173

The land and buildings lease relates to lease accommodation for the Wales Office in Cardiff. In 2012-13, the Wales Office relocated to new leased accommodation in Cardiff. The Department entered into two separate lease agreements for different floors in the new Cardiff accommodation; one for the Wales Office and the second for the Commission on Devolution. The Wales Office lease has a contractual term of 10 years with a break clause after 5 years, and the Commission on Devolution lease is for 3 years with a break clause after 2 years.

The other leases are for office equipment and lease of a Ministerial car.

18. Contingent Liabilities disclosed under IAS 37

The Wales Office does not have any contingent liabilities.

19. Related Party Transactions

Associated Departments and other central Government bodies

The Wales Office funds the Welsh Government. The Welsh Government is regarded as a related party with whom the Wales Office has had various material transactions during the year.

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

There are no other related party transactions to report.

20. 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 . This is interpreted as the same date the Accounts are certified by the Comptroller and Auditor General.

There are no material 'Events After the reporting Period' required to be disclosed.



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