



Wales Office
Swyddfa Cymru

Wales Office

**Annual Report and
Accounts 2011-12**



Wales Office Swyddfa Cymru

Wales Office Annual Report and Accounts 2011-12

(For the year ended 31 March 2012)

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Annual Report presented to the House of Commons
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1 Ministerial Foreword

This past year has been one of great activity across Government. Measures necessary to tackle the inherited deficit are challenging for all Government departments and the Wales Office too has played its part. HM Government and the Welsh Government come from differing political perspectives and working together often necessitates efforts to overcome that political dimension. However I am committed to ensuring a good relationship, with the two Governments, at Ministerial and official level, working together in the best interests of Wales.

This year (and within 18 months of the last General Election) the Wales Office achieved the last of the three commitments in the Coalition Agreement relating directly to Wales. Having already successfully delivered both the Referendum on Assembly powers in March 2011 and the devolution of housing powers the previous year, I established an independent commission under the chairmanship of Paul Silk, now known as the Silk Commission. It will consider funding issues, accountability, and the architecture of where powers lie, and report back on Part 1 of its work in Autumn 2012 and on Part 2 in 2014.

We have successfully secured, from the UK Government, the largest infrastructure investment in Wales for decades. Rail electrification of the South Wales mainline, first to Cardiff and now to Swansea and the Valley lines, together with a connection to Heathrow from South Wales, will give Wales a modern transport system providing excellent links to the UK and the wider world. Some 95,000 people have been lifted out of paying income tax altogether and substantial funds have been secured from the UK Government for improving broadband and Mobile 4G across Wales as well as an extra £12m to support super-connectivity in Cardiff.

We also worked hard to preserve Wales's strong military footprint. I was pleased that the military-led Army 2020 Review resulted in Wales retaining the Welsh Guards, the Queen's Dragoon Guards, the 1st Battalion Royal Welsh and an enhanced role for 160 (Wales) Brigade. The change that will be made is to merge two battalions of the Royal Welsh Regiment into one to ensure that our Army remains adaptable for the challenges ahead, and it is heartening that the regiments of Wales remain firmly at the heart of the British Army.

The first priority for HM Government remains the economic and fiscal stability of the United Kingdom as a whole. The Wales Office Business Advisory Group has already met four times this year, with contributions from across industry to consider the Welsh business climate. The work of this group informs the UK Business Advisory Group chaired by the Prime Minister.

Unemployment remains high, but there have been some positive signs for Wales in recent labour market reports. The Government's policies are supporting people into work as well as providing opportunities for businesses to invest, and create or sustain jobs. I have seen for myself the work being undertaken and joint working between Governments is vital to successful outcomes. The support being given to those who have struggled to find work in the past, as well as apprenticeship programmes helping young people gain valuable experience, are key elements in the road to recovery of Wales's economic future. We too in the Wales Office are playing our part having recruited two apprentices.

As the guardian of the devolution settlement, the Wales Office is committed to working with the Welsh Government to encourage investment to deliver economic growth in Wales. Working together is crucial. As a Cabinet Minister I am able to raise issues with my colleagues across Government and broker solutions. This is a key link for Wales and we are working constantly to ensure Wales remains at the heart of the UK Government. My Department liaises closely with other Government Departments, and that contact directly benefits Wales.

I have travelled a good deal throughout Wales this year and met people from all walks of life. I was proud to present the certificate to the first Welsh winner of the Prime Minister's Big Society Award and it is good to see particularly in this Jubilee year that volunteering organisations working in Wales are receiving the recognition they deserve for their vital contribution to society.

2011-12 has not been without its sadnesses. We remember and pay tribute to those in our armed forces who died in the selfless service of their country. No words can reflect our pride and our gratitude for their sacrifice. Two other incidents will also not be forgotten: the tragic loss of life at the Chevron Refinery and the deaths of four miners in the accident at Gleision Colliery. They were proud people doing their jobs and all met untimely deaths.

While the Wales Office has achieved much for Wales over the past 12 months, delivering more and reducing costs, there remains much still to do. I continue to be committed to working with my colleagues in the UK Government, in Europe and in the Welsh Government to ensure that the decisions we take are in the national interest – of both Wales and of the United Kingdom.

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 David Jones MP for his excellent contribution as the Parliamentary Under-Secretary of State (PUSS) in the Department and my Parliamentary Private Secretary Glyn Davies MP. We look forward to another busy year and delivering for Wales as a key country of the United Kingdom.

Rt Hon Cheryl Gillan MP
Secretary of State for Wales

2 Director's Statement

I am pleased to introduce the Wales Office's Annual Report and Accounts 2011-12, produced for the first time as a combined document.

The Wales Office is one of the smallest Departments of State. Notwithstanding its modest size, we have succeeded in delivering all three of the commitments in the coalition's 'Programme for Government' for which the Wales Office had direct responsibility. These were: to introduce a referendum on further Welsh devolution, to take forward the Sustainable Homes Legislative Competence Order and, most recently, to establish a process similar to the Calman Commission for the Welsh Assembly. We have also made substantial progress against the other key objectives set out in our published 4-year Business Plan, all achieved within budget and in line with our efficiency targets.

None of this would have been possible without the efforts of all those who work in the Wales Office whose commitment and determination to succeed has enabled the Department to perform well against our Business Plan and to continue to support Wales Office Ministers to the best of our ability.

Fiona Adams Jones
Director, Wales Office

3 Achievements by Objective 2011-12

This reporting period has seen the Wales Office build on its success in the previous year, which included a referendum on further powers for the National Assembly for Wales and announcements of significant infrastructure investments such as rail electrification and broadband.

Most notably, we delivered the third and final commitment falling to the Wales Office in the Government 'Programme for Government': to "establish a process similar to the Calman Commission for the Welsh Assembly". Following consultation with party leaders in the Assembly, the Secretary of State for Wales announced in October 2011 the membership and terms of reference of the independent Commission on Devolution in Wales, headed by Paul Silk (the 'Silk Commission'). The Silk Commission is currently looking at the issue of financial accountability, and aims to report in Autumn 2012. The Commission will then move 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 Wales Office continues to play a key role in resourcing and supporting the Commission, as well as in the on-going inter-governmental talks on funding reform.

The Wales Office has also been actively involved in other constitutional developments, such as preparing a Green Paper on future electoral arrangements for the National Assembly for Wales. We have provided advice to a number of Government Departments on a range of issues relating to the Welsh devolution settlement, and produced guidance for all Departments on the changes to the settlement following the referendum. We have also substantially revised the relevant Devolution Guidance Notes.

The role of the Wales Office as a source of expert advice extends beyond guidance on the precise terms of the settlement. It is essential that there is effective collaboration and consultation between Government Departments in Whitehall and the Welsh Government, and we have been proactive in our efforts to raise awareness and understanding of Welsh devolution throughout Whitehall. We championed the establishment of a Devolution Ministers' Network, chaired by the Deputy Prime Minister. This network co-ordinates HM Government's approach to the devolution settlements in the UK as well as providing direct Ministerial accountability for devolution issues within each Department.

We have continued to be rigorous in helping to ensure that Parliamentary legislation both fully reflected the needs of Wales and was 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 Public Bodies Act 2011. That input continues as various pieces of subordinate legislation arising from the Act are made.

The Welsh economy has remained a top priority focus for the Department. We have continued to provide the secretariat for the meetings of the Secretary of State's Business Advisory Group, and supported Ministers in the regular visits and meetings with Welsh businesses. We have worked closely with UKTI and others on increasing inward investment opportunities for Wales, and with the Department for Business, Innovation and Skills to help ensure that the Growth Review delivers real benefits for Wales. We have also actively engaged with the Government's Red Tape Challenge.

In addition to the economy, we have worked closely with other Government Departments in a wide range of policy areas to ensure that Welsh interests were properly represented and taken into account. These included transport infrastructure, welfare reform, energy, the Strategic Defence and Security Review, and broadcasting (particularly S4C). Tourism is a key industry for Wales and we put in place a programme of visits by Government Ministers to highlight, in the run up to the Olympics and the Diamond Jubilee celebrations, all that Wales has to offer. We provided further support to the industry by helping the Wales Tourism Alliance organise a London reception in February 2012. Reflecting the importance Wales Office Ministers attach to rural communities, the Wales Office published in July 2011 a report on the rural economy in Wales. One of the issues highlighted in the report was the lack of fast reliable broadband in many rural areas. Our findings formed part of the case which that summer saw the Government announce nearly £57 million of broadband funding for Wales to help make broadband more widely available. In addition, Cardiff was selected as one of 14 super-connected cities to receive up to £12 million for broadband introduction, with the potential for Newport and Swansea to follow suit.

The Wales Office has been at the forefront of efforts to promote the Big Society vision in Wales. In September we hosted an all-Wales Big Society Seminar which brought together almost fifty representatives from the public, private and civil society sectors to discuss how together we could ensure that Wales was able to benefit from the positive changes outlined in the Big Society vision. This was the first time that the Wales Office had ever held such an event. Following on from the seminar, the Parliamentary Under-Secretary of State formed the Wales Office Big Society Forum, a group of individuals with experience of Big Society issues.

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 Secretary of State played a central role in bringing the Cabinet to Wales in July 2011, which included the Prime Minister addressing the National Assembly for Wales. We also instigated the first meeting in Wales of the Welsh Grand Committee since 2001.

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

Objective 1: To oversee and maintain the devolution settlement and to facilitate partnership working between the Government and the devolved institutions in Wales

The Wales Office played a key role throughout the year in helping to deliver the Government's programme for democratic and political renewal. We provided expert advice to other Government Departments on the interface 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.

Helping deliver the Government's programme for democratic and political renewal in Wales

The Wales Office works with other Government Departments to ensure that constitutional developments take full account of Wales and Welsh interests.

For example, the Fixed-term Parliaments Act 2011 established five-year, fixed-term Parliaments. The next election for the House of Commons will take place on 7 May 2015, unless an extraordinary General Election is called prior to that date, and every five years thereafter. The Act also made provision for the current Assembly to have a five-year term (rather than the usual four years), to ensure the next scheduled election to the National Assembly does not take place on the same day. The Government agreed to include this provision in the Bill following a resolution in the National Assembly to move the next Assembly election to 2016. The Act specifies that the date of the next scheduled Assembly election will be 5 May 2016.

The independent Commission on a Bill of Rights is looking at human rights law in the UK and advising on reform of the European Court of Human Rights in Strasbourg. The Commission is exploring a range of different views in its report and is considering the whole of the UK. Its terms of reference specifically require it to consult with the devolved administrations and legislatures. An Advisory Panel advises the Commission on devolution issues, and includes two nominees of the First Minister.

We were also closely consulted during the establishment of the independent Commission to consider the consequences of devolution for the House of Commons (the 'McKay Commission').

The Commission on Devolution in Wales

The Coalition Agreement included a commitment to establish a process similar to the Calman Commission for the Welsh Assembly, depending on the outcome

of the referendum on enhanced law-making powers for the National Assembly for Wales. The Wales Office has delivered this commitment. The Secretary of State announced the membership and terms of reference of the independent Commission on Devolution in Wales on 11 October. The Commission is reviewing the financial and constitutional arrangements in Wales.

Paul Silk leads a strong Commission team, made up of two independent members and four party political nominees, each nominated by one of the four political parties in the Assembly. The Secretary of State worked closely with the First Minister and the leaders of all the parties in the Assembly to establish the Commission.

The Commission is carrying out its work in two parts. It is first looking at the financial accountability of the National Assembly, reviewing the case for the devolution of fiscal powers and recommending a package of powers that would improve the financial accountability of the Assembly, and which is consistent with the United Kingdom's fiscal objectives. It aims to report later this year.

The Commission will then turn to Part 2 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 Commission is currently due to report on Part 2 in 2014.

The Secretary of State and Parliamentary Under-Secretary of State led a debate, in Government time, in the House of Commons on 3 November on the establishment and work of the Commission.

Assembly constituency boundaries

The Government is reducing the size of the House of Commons, and creating fewer and more equally sized constituencies so that people's votes carry the same weight, no matter where they live.

A smaller House of Commons with more equally sized constituencies will result in a reduction in the number of Parliamentary constituencies in Wales from 40 to 30. These constituencies currently have the same boundaries as those used to elect Assembly Members. Changing the Parliamentary boundaries makes it necessary to consider whether to modify the boundaries for Assembly constituencies in future, and the Government therefore published a Green Paper on future electoral arrangements for the National Assembly for Wales.

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

The Department 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 guardians of the devolution settlement, the Department 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 Coalition Government has introduced

35 Bills into Parliament to date as part of its first legislative programme, and of those 27 had received Royal Assent by 31 March 2012.

The Department also monitored business in both Parliament and the National Assembly for Wales to ensure that it was aware of Welsh interests both in the devolved sphere and at a UK-wide level. The Wales Office plays an important role in monitoring Assembly Bills as they progress through the Assembly, and considering whether there is any case for the Secretary of State to exercise her powers of intervention. 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.

Devolution Guidance Notes

Devolution Guidance Notes (DGNs) provide advice and guidance to Whitehall Departments on dealing with devolved matters and relations between the Government and the devolved administrations. All DGNs are published on the Cabinet Office website; those relating to Wales are also published on the Wales Office website.

The Department revised certain Devolution Guidance Notes in relation to Wales in light of the Assembly acquiring legislative powers in the twenty devolved areas in May 2011. The revised DGN 9 sets out advice to Government Departments on primary legislation affecting Wales, and new DGN 17 explains the procedure for modifying the Assembly's legislative competence.

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

The Wales Office worked with Departments across Government to raise awareness of the devolution settlement for Wales, explaining how it worked in practice and what Departments needed to do to ensure that devolution issues formed part and parcel of their everyday work.

The Department also engaged with Whitehall Bill teams at the earliest stages to explore proposals and offer guidance on the devolution settlement to ensure that Welsh interests were fully represented as proposals for legislation were taken forward. Wales Office officials also participated in more formal training sessions, for example, in a National School of Government seminar for Bill teams on devolution in December 2011.

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. For example, the Secretary of State attended a Plenary session of the Joint Ministerial Committee on 8 June 2011, chaired by the Prime Minister, which was the first meeting since the formation of the new Welsh Government following the Assembly election on 5 May. The meeting discussed the priorities of devolved administrations and the importance of working together closely on issues of mutual interest in order to secure the recovery and sustain economic growth.

Devolution Ministers

The Wales Office developed the concept of a Devolution Minister in each Government Department. The Devolution Ministers' Network was established and met twice in this reporting period, as did the senior officials' group that supports the Network. The meetings provided an invaluable opportunity for Ministers to take stock of developments, discuss key issues, and exchange ideas and examples of best practice. In addition to the formal meetings of the Network, Wales Office Ministers held regular bilaterals with individual Devolution Ministers.

Objective 2: To represent Wales' interests within the Government, and to promote a wider understanding of Government policies in Wales

During 2011-12, Wales Office Ministers have undertaken six Welsh Oral Questions and held two Welsh Grand Committee sessions – the first in Wrexham, North Wales in October 2011 on the Work Programme; and the second in Westminster in February 2012 on HM Government's agriculture policy as it affects Wales. Both committees provided the opportunity for scrutiny of Government policy in respect of its impact on Wales.

The Wales Office continued to ensure that the interests of Wales were fully represented as policy in non-devolved areas was developed and implemented. There was a particular focus on economic growth, with the Government looking to use the powers at its disposal to boost economic growth in Wales. Of particular note was the announcement in July 2011 that Wales was to receive nearly £57 million to improve broadband provision and bring superfast broadband to 90% of homes and businesses, providing Wales with around 10% of the total UK allocation.

In addition, in December 2011, the Government announced that 14 cities across the UK would be given the chance to become super connected cities, with broadband access speeds of between 80-100Mbps. Cardiff was selected because of its capital status, with other cities with more than 150,000 dwellings being able to apply to share the £100 million announced in the Autumn Statement via a competition process being held by the Department of Culture, Media and Sport. Fast, reliable broadband is a fundamental part of our vision for economic growth and as such the Wales Office is doing all it can to ensure that Wales has a broadband network fit for the digital age.

Throughout the year the Secretary of State remained committed to working with the Welsh Government to establish Enterprise Zones in Wales so that Welsh businesses enjoy the same competitive advantages as businesses in places like Bristol, Merseyside, Hereford and Warrington. The Welsh Government has now announced plans for seven Zones across Wales. The 2012 Budget included an announcement that Enhanced Capital Allowances (ECA) would be made available to the Enterprise Zone in Deeside, potentially delivering up to 5000 new jobs. Any further announcements of ECA will first depend on a robust business case being made by the Welsh Government.

The proposal to electrify the Great Western Main Line railway from London to Cardiff was excellent news for Wales. The announcement recognised that improved rail infrastructure and lower journey times were vital components for delivering a successful economic recovery in Wales. The Wales Office worked very hard throughout 2011 to press the case for this part of the electrification of the rail network, and continued to do the same for the electrification of the Valley lines north of Cardiff. We also continued to press the arguments for further electrification, including to Swansea.

Wales Office officials and legal advisers continued to work closely with HM Government Departmental Bill Teams and the Cabinet Office on UK legislation which affected Wales. We were particularly involved on the Welfare Reform Bill, which will have a significant impact in Wales, and the Public Bodies Bill, which was the main legislative vehicle for taking forward the Government's review of public bodies, the results of which were published in October 2010. Other important pieces of legislation which required significant involvement by the Wales Office included the Education Bill, Energy Bill, Local Government Finance Bill, Localism Bill and the Police Reform and Social Responsibility Bill. We also continued to give advice to other Government Departments on all aspects of the devolution settlement and have provided training to them on the changes to the devolution landscape following the referendum and the coming into force of schedule 7 of the Government of Wales Act.

We sought to establish and develop effective working relationships with Welsh Government officials to facilitate engagement, and to encourage better information sharing, as Welsh legislation is developed. Close liaison has been established on a number of pre-legislative proposals, in particular the proposed Bill on Organ and Tissue Transplantation which the Welsh Government announced on 12 July and which aims to alter the existing system on organ donation and introduce an opt-out system in Wales. During the year we have considered the consultations that have been issued, and the two Bills that have been introduced into the Assembly.

Objective 3: Promote the economic, social and cultural interests of Wales

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

A key part of this overarching objective was to ensure that those who contributed to the economic, social and cultural wellbeing of Wales were recognised in the nominations for Honours bestowed by Her Majesty The Queen. Working in partnership, the Wales Office and the Welsh Government co-ordinated and submitted to the Cabinet Office Honours nominations for outstanding service and achievement in Wales.

Economic Interests

The Ministerial team took every opportunity to promote Wales as a place in which to do business, and met and visited key businesses and business organisations throughout Wales to listen to their views and experiences and to discuss the Government's work to deliver strong and sustainable growth, tackle the economic deficit, and create the right conditions for the private sector in Wales to grow.

The Secretary of State met regularly with her Business Advisory Group, which brought together representatives of business organisations and key sectors such as manufacturing, retail, transport, energy and financial services as well as Welsh academics, and gave them an opportunity to provide first hand evidence of issues affecting the business community in Wales. Events during 2011-12 included a discussion of the Work Programme (July 2011) with the Minister of State for Employment, Department for Work and Pensions, the Rt Hon Chris Grayling MP, a visit to Tata Steel in Port Talbot (October 2011), and a presentation on the support and funding available for research and innovation in the UK (January 2012) with the Minister of State for Universities, Skills and Technology, the Rt Hon David Willetts MP. The discussions of the group fed into the Prime Minister's Business Advisory Group and ensured that the views of Welsh business were heard at the heart of Government. A review of the Business Advisory Group was undertaken during the summer with the membership and remit of the group being confirmed for the forthcoming year.

Inward Investment also had a strong focus during 2011-12, with the Welsh Affairs Select Committee carrying out its review during the year. The Secretary of State for Wales, the Business Secretary and Lord Green gave evidence to the Committee in December 2011, when they outlined their plans on inward investment in Wales and highlighted a number of international companies, including Airbus, Toyota, Sharp and PriceWaterhouseCoopers, who have chosen to locate in Wales.

Ministers have undertaken a number of important speaking engagements during the year including the Swansea Business Club in June 2011, Dods Manufacturing Round-Table discussions and the launch of DFA International Alliance in July 2011, Fast Growth 50 Annual Gala Dinner and the Royal Institute of Chartered Surveyors Wales infrastructure Conference in September 2011, Made in Wales Awards in October 2011 and the UK & China Joint Economic & Trade Commission Lunch Banquet in December 2011. There have also been a wide variety of business meetings and company visits.

Developing international business links continued to be a high priority. Ministers promoted the first trade mission to Bangladesh in September 2011 to encourage opportunities for Welsh companies and Welsh Bangladeshi entrepreneurs to build on the trade links already established between both countries, and participated in the first UK-China trade talks in Cardiff in December 2011, when the Secretary of State welcomed the collaborative approach of both Governments in London and Cardiff to help Wales do business on the international stage.

Social Interests

During August 2011, the Parliamentary Under-Secretary of State undertook a range of visits to prime tourist destinations across North and West Wales, including attractions such as Folly Farm, Heatherton and Trac Môn together with visits to popular holiday parks in the area. The Minister held round table discussions with key tourism businesses to hear first hand how the economic climate was affecting them and what more the Government could do to help.

Cultural Interests

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

The Wales Office worked closely with other Government Departments on S4C and its partnership with BBC, and is committed to a strong and independent Welsh language TV service. The Ministerial team played an active part in ensuring the independence of S4C as a broadcaster, and welcomed the announcement in October 2011 that secured S4C as a unique entity that will retain editorial independence, with confirmed funding.

In July 2011, the Secretary of State addressed the winning schools at the Welsh Heritage Schools Initiative Awards Ceremony in Caerphilly Castle. The Initiative was celebrating its 21st anniversary and has over the years helped thousands of young people take an interest in their heritage and the contribution made to it by their families and communities. The Secretary of State and the Parliamentary Under-Secretary of State visited the Royal Welsh Agricultural Show in Builth Wells in July 2011, and the Secretary of State attended the Llangollen International Musical Eisteddfod as Day President where she met some of the many volunteers who contribute to the event's success and addressed the Eisteddfod. The International Eisteddfod, which was celebrating its 65th anniversary, is widely regarded as one of the world's most inspirational cultural festivals, attracting more than 4,000 competitors from around the world to Llangollen each year. The Parliamentary Under-Secretary of State attended the National Eisteddfod in Wrexham.

In celebration of St David's Day, the Secretary of State joined the Prime Minister at a major St David's Day Reception, held in 10 Downing Street for the first time, for over 100 people from all walks of life who had made a significant contribution to Welsh achievements.

Objective 4: Conduct our business with courtesy, efficiency, effectiveness and propriety

Funding and Finance

Of the £12.917 billion Welsh settlement, the Wales Office allocation for 2011-12 was around £6.5 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 (£12.911bn) is the grant to the Welsh Government.

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 period (up to 2014-15) will see the Wales Office budget shrink by one third in real terms. We have taken a number of steps in 2011-12 to help ensure that we meet this challenge.

A Change and Efficiencies Committee was established as a sub-committee of the Department's Management Board, to co-ordinate and oversee the work that has been under way for some time to strengthen our capability and further improve our ways of working in order to ensure that the Department remains within its budget whilst continuing to deliver our key business objectives. Work has begun on a time-lined Efficiency Plan to set out the actions identified and agreed.

As a small Department we continued to take a cost effective and pragmatic approach to the provision of our internal corporate services. We utilised existing Ministry of Justice (MoJ) framework arrangements and contracts in areas such as security, facilities management and IT services as much as possible, which realise significant benefits in terms of economies of scale and expertise. We are currently reviewing the service level agreements in place with the MoJ for these services. We also continued to work closely with the Scotland Office and Northern Ireland Office to share back-office service provision wherever possible, and have streamlined our separate Parliamentary Services during 2011-12 into one joint Parliamentary Service team, which serves all three Territorial Offices.

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;
- Ministerial accommodation, rail and air travel;
- 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 2011-12 we dealt with over 170 Freedom of Information (FOI) requests as set out below.

| Description | Number |
|---|---|
| FOI requests received, of which: | 171 |
| Responses replied to within 20 working days or within permitted extension | 158 (92%) |
| Internal Review of our response requested | 9 |
| Response referred by requestor to the Information Commissioner | 1 (the Commissioner ruled in the Department's favour) |

Our Parliamentary performance over 2011-12 is summarised below:

| Target | % |
|---|------|
| % of named day questions on time | 100% |
| % of ordinary written questions on time | 88% |

Our performance in handling correspondence during 2011-12 was:

| Target | % |
|--|-----|
| Correspondence dealt with within 15 days | 93% |

Payments to Suppliers

During the financial year 2011-12 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 2011-12, 92% of invoices were paid within these terms against the cross-government target of 80%. In 2010-11, 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 third 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 Disability Discrimination Act.

We will be relocating our Cardiff base in summer 2012 to make way for call-centre company FirstSource 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

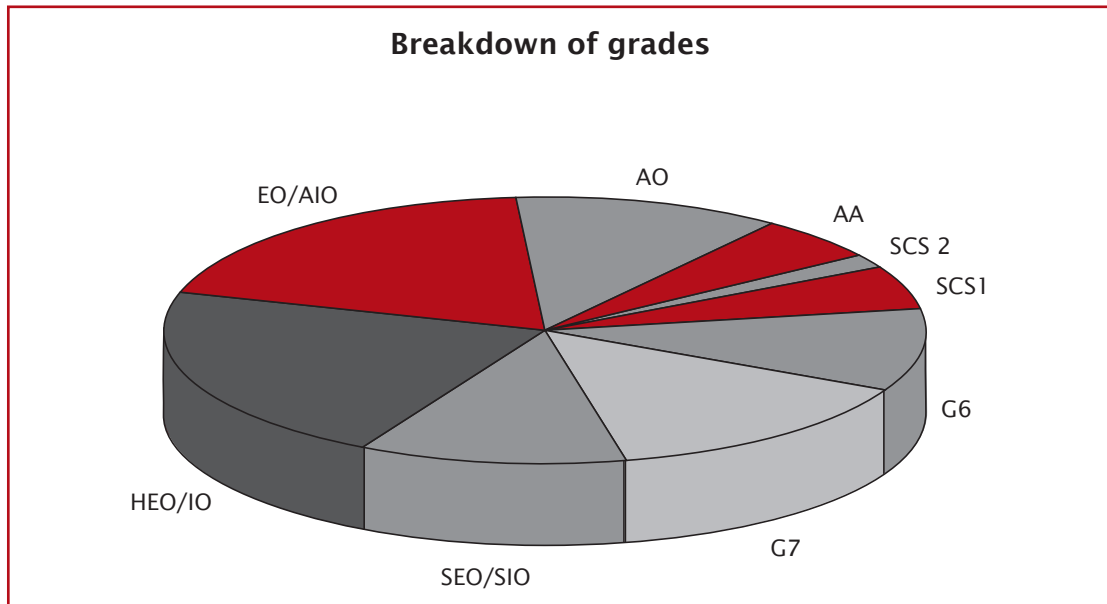
We seek to ensure that we deploy our small staff numbers, equipped with the right skills, to best effect to deliver our business objectives. Our staffing policy comprises several strands: continuous learning and development for existing staff; filling substantive vacancies from within the wider civil service or via loans/secondments from the Welsh public and private sectors; and, where possible, utilising the expertise that already resides within larger Whitehall departments.

The Wales Office had a staff complement of 64 staff for 2011-12 period. Over the year our turnover was around 28%, with staffing levels averaging around 84% throughout the financial year as can be seen in the chart below:



The total number of staff in post as at 31 March 2012 was 61 (60.4 fte), which included one (temporary) agency member of staff, three staff on fixed term contracts and 17 staff on loan from the Welsh Government and three on loan from other Government Departments. 38% of staff were based in our Cardiff office and 62% in Gwydyr House, London. In addition, three Wales Office staff were on outward loan to the Commission on Devolution in Wales.

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



Recruitment

The Wales Office undertook 17 internal recruitment exercises (that is, internal to the Civil Service) during 2011-12 and two apprentices were recruited via the National Apprenticeship Organisation on a fixed term basis. No substantive external recruitment exercises were conducted.

Resignations and Retirements

Over the past year, the main reasons why staff left the Wales Office were: lateral transfer within the Ministry of Justice (MoJ); resignation in order to work for an organisation outside the civil service; and five staff who left on voluntary early departure terms offered by their parent Department (either the Welsh Government or the MoJ). Another five individuals' loans expired and they returned to their parent department.

Senior Civil Service

At the 31 March 2012 there are 4 substantive senior civil servant posts within the Wales Office.

Equal Opportunities

| Staff in Senior Civil Service positions | March 2012 | March 2011 |
|--|-------------------|-------------------|
| 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 2012 | % March 2011 |
|---|---------------------|---------------------|
| Women | 56% | 63% |
| BME | 7% | 11% |
| Disabled | 3% | 5% |

Performance Management

The Wales Office is committed to formal performance management and has a 100% record of staff having objectives set and at least 2 reviews per year for staff who have been in post for the full twelve month period.

Staff Engagement Survey

The Wales Office participates in the annual civil service-wide survey. In 2011, our overall staff engagement index was 53%.

Our top positive scores related to staff:

- having a clear understanding of the Office's objectives and how their work contributes to them;
- having the skills needed to do their jobs effectively;
- being interested in their work; 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.

Learning and Development

The Wales Office's Learning and Development strategy was reviewed and updated during 2011, with a strong emphasis on the read-across between the Business Plan and the skills needed to deliver it successfully. The strategy focuses on improving skills analysis, more in-house delivery of training and development opportunities, and improved evaluation of training undertaken.

Volunteering

In support of the 2011 Civil Service-wide volunteering initiative, the Wales Office is playing its part by undertaking an ongoing programme of voluntary activities with, and on behalf of, the Prince's Trust Wales. As part of this programme, over 20 members of staff, at all levels in the organisation, have already volunteered to spend at least a day working for the Prince's Trust over the summer of 2012. The Secretary of State has also spent some time with the Prince's Trust and has undertaken to spend some more time with the organisation in the coming months. The Parliamentary Under-Secretary of State has spent some time with a food co-operative in North Wales; and with the North Wales Training Motor Vehicle Workshop.

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. The Department has had a rolling "positive images of disability" campaign to showcase roles and responsibilities disabled staff hold in the Wales Office and to promote understanding of disability.

Sickness absence data

The average number of working days lost (AWDL) in a calendar year due to staff sickness across the whole of the Wales Office in 2011–12 was 7.1 days (2010–11 4.9 days).

Reducing sickness absence aligns with our Smarter Government commitments and remains a workforce strategy priority within the Department.

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 MoJ 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, and although the Department does not directly provide services to the public, it is committed to providing an equal service in Welsh as in English. We continue, for example,

to have Welsh-speaking receptionists/telephonists in both our London and our Cardiff offices, who act as first point of contact for all callers.

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. Foundation level training is currently being delivered in both Cardiff and London, for around 23 staff in total.

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 8% staff who identified themselves as bilingual.

Sustainable Development

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 Board monitored environmental performance at each of its meetings in 2011-12.

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 (2010-11: £Nil).

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

4 Looking ahead to 2012-13

The work of the Commission on Devolution in Wales (‘the Silk Commission’) will continue to be a focus of the Wales Office next year and beyond, both in terms of supporting the Commission and in considering any recommendations which emerge. We will be closely involved in a range of other constitutional and financial issues as well, such as talks between the Government and the Welsh Government on funding reform, the need to put in place a statutory mechanism to review Assembly electoral boundaries and assessing the implications for Wales of Scottish constitutional developments.

Our role at the heart of Government – pressing Welsh interests – will be more important than ever as the Government seeks to grow the economy. This will remain a priority area for us in the coming year, and we will ensure that Wales is properly represented as discussions take place around inward investment, infrastructure, growth and reducing burdens on business. 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.

Raising awareness, knowledge and understanding of the Welsh devolution settlement within Whitehall and more widely will be another priority for the Wales Office. It is 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 backdrop.

It will also be essential that the Wales Office continues 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 – 2012-13 – 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 2011-12 the Wales Office spent £12.797 billion within Parliamentary Supply Estimates (Spring Supplementary Estimate) being primarily 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 January.

Movements in Estimate provision during 2011-12: At the start of the year Wales Office was voted £12.917 billion in its Main Estimate. By the final Single Supplementary Estimate, this had decreased to £12.872 billion due to the following main reasons:

- £114,000 DEL reduction due to a deposit with the HM Treasury Budget Exchange mechanism of 2% of the non ring-fenced RDEL;
- £19,000 AME increase due to an increase in pension commitments within the Wales Office;
- £45,076,000 DEL reduction in the grant to the Welsh Government.

Explanation for variances between Estimate and Net Resource Outturn

Overall there was an under spend of 0.58% / £74.733m on the estimate provision of £12.872 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)/underspend £000 | Percentage of estimate % |
|---|-----------------|------------------|--------------------------------|-----------------------------|
| A Wales Office | 4,959 | 5,572 | 613 | 11.0 |

The under-spend in the Wales Office is mainly attributable to the potential calls on reserves being either resolved or less than had earlier been anticipated, together with planned efficiencies.

Commission on Devolution

| Spending in Department Expenditure Limits | | Outturn | Estimate | (Overspend)/underspend | Percentage of estimate |
|--|--------------------------|----------------|-----------------|-------------------------------|-------------------------------|
| | | £000 | £000 | £000 | % |
| B | Commission on Devolution | 219 | 331 | 112 | 33.8 |

The under-spend in the Commission on Devolution is mainly attributable to the delay in securing its own accommodation and unused contingency funds.

Grant payable to the Welsh Consolidated Fund

| Spending in Department Expenditure Limits | | Outturn | Estimate | (Overspend)/underspend | Percentage of estimate |
|--|--|----------------|-----------------|-------------------------------|-------------------------------|
| | | £000 | £000 | £000 | % |
| D | Grant payable to the Welsh Consolidated Fund | 12,791,783 | 12,865,791 | 74,008 | 0.57 |

The under-spend on Grant to Welsh Consolidated fund is due to reduced funding requirements within the Welsh Government at year end.

Reconciliation of resource expenditure between Estimate, Accounts and Budgets

| | Estimate | 2011-12 Total |
|---|-------------------|---------------------------|
| | £000 | £000 |
| Net Resource Outturn (Estimates) | 12,871,803 | 12,797,070 |
| | | |
| <i>Less income payable to the Consolidated Fund</i> | | (27)* |
| | | |
| Net Operating Cost (Accounts) | 12,871,803 | 12,797,043 |
| | | |
| Voted expenditure outside the budget | (12,865,791) | (12,791,783) |
| | | |
| Resource Budget Outturn (Budget) | 6,012 | 5,287*¹ |
| <i>of which</i> | | |
| Departmental Expenditure Limits (DEL) | 5,903 | 5,178* ¹ |
| Annually Managed Expenditure (AME) | 109 | 109* ¹ |

*The £(27)k relates to operating income outside the ambit of the Estimate and does not go through Note 2. See Note 5.1.

*¹ Agrees to Note 2.

6 Public Expenditure Core Financial Tables

TABLE 1

| The Welsh Block 2007-08 to 2014-15 | | | | | | | | | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|---------------------------|---------------------------|---------------------------|--|
| | 2007-08 outturn £'000 | 2008-09 outturn £'000 | 2009-10 outturn £'000 | 2010-11 outturn £'000 | 2011-12 outturn £'000 | 2012-13 plans £'000 | 2013-14 plans £'000 | 2014-15 plans £'000 | |
| Wales Office ⁽¹⁾⁽²⁾ | | | | | | | | | |
| Wales Office Resource ⁽³⁾ | | | | | | | | | |
| Wales Office Administration Costs | 4,886 | 4,983 | 5,567 | 5,026 | 5,145 | 6,106 | 6,072 | 4,971 | |
| Wales Office – other ⁽³⁾ | 37 | 23 | 42 | 43 | 33 | 60 | 60 | 60 | |
| Wales Office Resource ⁽³⁾ | 4,923 | 5,006 | 5,609 | 5,069 | 5,178 | 6,166 | 6,132 | 5,031 | |
| Wales Office Capital | 145 | 96 | 0 | 130 | 185 | 724 | 724 | 25 | |
| Wales Office Resource + Capital DEL ⁽³⁾ | 5,068 | 5,102 | 5,609 | 5,199 | 5,363 | 6,890 | 6,856 | 5,056 | |
| <i>Less depreciation; non-cash and impairment charges</i> | <i>-48</i> | <i>-236</i> | <i>-61</i> | <i>-227</i> | <i>-70</i> | <i>-75</i> | <i>-70</i> | <i>-70</i> | |
| Wales Office DEL ⁽⁴⁾ | 5,020 | 4,866 | 5,548 | 4,972 | 5,293 | 6,815 | 6,786 | 4,986 | |
| (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. | | | | | | | | | |
| Welsh Government DEL and Total Welsh Block | | | | | | | | | |
| Welsh Government ⁽¹⁾⁽²⁾⁽⁷⁾ | 12,253,358 | 12,816,248 | 13,536,421 | 13,788,840 | 13,659,988 | 13,844,781 | 13,986,416 | 14,043,340 | |
| Welsh Government Resource ⁽³⁾ | 1,461,436 | 1,626,521 | 1,931,711 | 1,751,150 | 1,385,459 | 1,231,978 | 1,148,613 | 1,201,688 | |
| Welsh Government Capital | 13,714,794 | 14,442,769 | 15,468,132 | 15,539,990 | 15,045,447 | 15,076,759 | 15,135,029 | 15,245,028 | |
| <i>less depreciation & impairments</i> | <i>-239,273</i> | <i>-324,263</i> | <i>-404,920</i> | <i>-269,607</i> | <i>-316,673</i> | <i>-405,349</i> | <i>-388,726</i> | <i>-385,543</i> | |
| Welsh Government DEL ⁽⁴⁾⁽⁷⁾ | 13,475,521 | 14,118,506 | 15,063,212 | 15,270,383 | 14,728,774 | 14,671,410 | 14,746,303 | 14,859,485 | |
| Wales Office DEL ⁽⁴⁾ | 5,020 | 4,866 | 5,548 | 4,972 | 5,293 | 6,815 | 6,786 | 4,986 | |
| Total Welsh Block ⁽⁴⁾⁽⁵⁾⁽⁶⁾ | 13,480,541 | 14,123,372 | 15,068,760 | 15,275,355 | 14,734,067 | 14,678,225 | 14,753,089 | 14,864,471 | |
| (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 | | | | | | | | | |

TABLE 2

Changes to Welsh Government Departmental Expenditure Limit for 2010-11 to 2014-15 since June 2011

| | 2010-11 £m Outturn | 2011-12 £m Provisional Outturn | 2012-13 £m Plans | 2013-14 £m Plans | 2014-15 £m Plans |
|---|--------------------------|---|------------------------|------------------------|------------------------|
| Position at June 2011 net of depreciation | 15,298.0 | 14,688.5 | 14,616.6 | 14,661.6 | 14,767.3 |
| <i>plus depreciation & impairments</i> | 285.4 | 378.3 | 405.3 | 388.7 | 385.5 |
| Subtotal | 15,583.4 | 15,066.9 | 15,022.0 | 15,050.3 | 15,152.9 |
| Interdepartmental transfers | | | | | |
| to DEFRA: Environment Agency | 0.0 | -1.7 | 0.0 | 0.0 | 0.0 |
| from DEFRA: Animal health | 0.0 | 1.2 | 1.0 | 0.8 | 0.6 |
| To BIS: Public sector mapping costs | 0.0 | -2.1 | -1.9 | -1.8 | -1.7 |
| Spending Policy | | | | | |
| Reserve Claim: Student Loans | 0.0 | 25.6 | 0.0 | 0.0 | 0.0 |
| Firefighters pension costs | 0.0 | 0.0 | -0.3 | -0.3 | 0.0 |
| Barnett Consequentials | | | | | |
| Autumn Statement 2011: Council Tax Freeze | 0.0 | 38.9 | 0.0 | 0.0 | 0.0 |
| Autumn Statement 2011: Growing Places | 0.0 | 12.1 | 0.0 | 0.0 | 0.0 |
| Autumn Statement 2011: Free Advice Services | 0.0 | 1.0 | 0.0 | 0.0 | 0.0 |
| Autumn Statement 2011: Transport | 0.0 | 0.0 | 3.6 | 24.2 | 37.5 |
| Autumn Statement 2011: Growth and Green | 0.0 | 0.0 | 3.5 | 19.4 | 34.8 |
| Autumn Statement 2011: Education | 0.0 | 0.0 | 16.7 | 27.4 | 25.1 |
| Autumn Statement 2011: Housing | 0.0 | 0.0 | 15.0 | 10.1 | -0.8 |
| Autumn Statement 2011: Youth Contract | 0.0 | 0.0 | 4.7 | 4.0 | 4.0 |
| Autumn Statement 2011: Other | 0.0 | 0.0 | 7.3 | -2.1 | -6.2 |
| Budget 2012: Get Britain Building | 0.0 | 0.0 | 5.4 | 2.1 | -2.0 |
| Budget 2012: Free Advice Services | 0.0 | 0.0 | 0.0 | 1.0 | 1.0 |
| Olympics | 0.0 | 8.9 | 0.0 | 0.0 | 0.0 |
| Departmental outturn (underspend compared to final plans) | | | | | |
| Final Outturn for 2010-11 | -43.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Provisional Outturn for 2011-12 | 0.0 | -105.3 | 0.0 | 0.0 | 0.0 |
| Subtotal | -43.4 | -21.4 | 54.8 | 84.7 | 92.2 |
| Capital DEL plus Resource DEL | 15,540.0 | 15,045.4 | 15,076.8 | 15,135.0 | 15,245.0 |
| <i>Less Depreciation & Impairments</i> | 269.6 | 316.7 | 405.3 | 388.7 | 385.5 |
| Position at June 2012 net of depreciation | 15,270.4 | 14,728.8 | 14,671.4 | 14,746.3 | 14,859.5 |

(1) Totals may not sum due to roundings

TABLE 3**Cash grant paid to the Welsh Consolidated Fund 2010-11: Provision and Final Outturn**

| | Original Provision £'000 | Final Provision £'000 | Final Outturn £'000 |
|---|---|--------------------------------------|------------------------------------|
| Expenditure Classified as DEL ⁽¹⁾⁽²⁾ | 15,530,824 | 15,589,389 | 15,527,575 |
| Expenditure Classified as AME | 693,635 | 370,722 | 261,899 |
| Total Managed Expenditure | 16,224,459 | 15,960,111 | 15,789,474 |
| <i>Less:</i> | | | |
| Non Voted expenditure: | | | |
| LA Credit Approvals | 163,396 | 163,396 | 163,396 |
| Other Non-Voted | 6,078 | 6,078 | 6,078 |
| Resource Non Cash | 412,257 | 443,257 | 406,394 |
| AME Non-cash | 555,560 | 231,735 | 117,781 |
| TOTAL NON VOTED TME | 1,137,291 | 844,466 | 693,649 |
| TOTAL VOTED TME | 15,087,168 | 15,115,645 | 15,095,825 |
| Voted receipts | | | |
| Contributions from the National Insurance Fund | -953,184 | -894,377 | -932,699 |
| NDR Receipts | -881,810 | -867,000 | -896,417 |
| Total | -1,834,994 | -1,761,377 | -1,829,116 |
| <i>Plus:</i> | | | |
| Housing Stock Transfer – Blaenau Gwent | 45,000 | 43,272 | 43,272 |
| Housing Stock Transfer – Gwynedd | 17,329 | 17,329 | 17,329 |
| Housing Stock Transfer – Neath/Port Talbot | | 40,700 | 36,451 |
| Change in balance of Welsh Consolidation Fund & movements in working capital | | | -114,692 |
| Cash grant paid to Welsh Consolidated Fund | 13,314,503 | 13,455,569 | 13,249,069 |

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 2011-12: Provision and Estimated Outturn**

| | Original Provision £'000 | Final Provision £'000 | Provsional Outturn £'000 |
|---|---|--------------------------------------|---|
| Expenditure Classified as DEL ^{(1) (2)} | 15,066,870 | 15,150,753 | 15,045,447 |
| Expenditure Classified as AME | 318,789 | 430,228 | 314,798 |
| Total Managed Expenditure | 15,385,659 | 15,580,981 | 15,360,245 |
| Less: | | | |
| <i>Non Voted expenditure:</i> | | | |
| LA Credit Approvals | 120,211 | 120,211 | 120,208 |
| Other Non-Voted | 6,078 | 6,078 | 6,078 |
| Resource Ringfenced Non Cash | 431,149 | 455,099 | 426,122 |
| AME Non-cash | 164,726 | 286,803 | 146,807 |
| TOTAL NON VOTED TME | 722,164 | 868,191 | 699,215 |
| TOTAL VOTED TME | 14,663,495 | 14,712,790 | 14,661,030 |
| 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 | -20,924 |
| 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 5**Cash grant paid to the Welsh Consolidated Fund 2012-13: Provision**

| | |
|---|-------------------|
| Expenditure Classified as DEL ⁽¹⁾ | 15,076,759 |
| Expenditure Classified as AME | 405,773 |
| Total Managed Expenditure | 15,482,532 |
| Less: | |
| <i>Non Voted expenditure:</i> | |
| LA Credit Approvals | 107,299 |
| Other Non-Voted | 6,078 |
| Resource Ringfenced Non Cash | 472,999 |
| AME Non-cash | 221,714 |
| TOTAL NON VOTED TME | 808,090 |
| TOTAL VOTED TME | 14,674,442 |
| Voted receipts | |
| Contributions from the National Insurance Fund | -886,492 |
| NDR Receipts | -944,000 |
| Total | -1,830,492 |
| Timing Adjustments | |
| Increase/Decrease in Debtors & Creditors | 535 |
| Use of Provisions | 0 |
| Cash grant paid to Welsh Consolidated Fund | 12,844,485 |

Totals may not sum due to roundings

(1) Resource and capital DEL including depreciation

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 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.

The following sections provide details of the remuneration and pension interests of the Ministers and senior management of the Department.

Remuneration (salary and payments in kind) (This section has been subject to audit)

| Remuneration | 2011-12 | | 2010-11 | |
|---|-----------|------------------------------------|---|------------------------------------|
| | Ministers | Salary (including allowances) £ | Benefits in kind (rounded to the nearest £100) £ | Salary (including allowances) £ |
| The Rt Hon Cheryl Gillan MP, Secretary of State for Wales (from 12 May 2010) | 68,827 | | 61,056 (68,827 full year equivalent) | – |
| David Jones MP, Parliamentary Under Secretary of State (from 12 May 2010) | 23,697 | | 20,894 (23,697 full year equivalent) | – |
| The Rt Hon Peter Hain MP, Secretary of State for Wales (to 12 April 2010) | n/a | n/a | 8,847 (78,356 full year equivalent) | – |
| Wayne David MP, Parliamentary Under Secretary of State (to 12 April 2010) | n/a | n/a | 3,483 (30,851 full year equivalent) | – |
| The Rt Hon the Lord Wallace of Tankerness QC, Advocate General for Scotland (from 12 May 2010)† | – | – | – | – |

Notes to the table:

The Ministers of the previous administration remained in office until the current coalition government was formed on 12 May 2010, following the general election on 6 May 2010. Prior year comparatives for former Ministers are included for completeness.

†The Rt Hon the Lord Wallace of Tankerness QC, Advocate General for Scotland, deals with Wales Office affairs in the House of Lords. His Ministerial Salary, allowances and pension benefits are made by the Ministry of Justice.

| Pension Benefits | | | | | | |
|---|---|------------------------------------|-----------------------|--------------------------------------|-----------------------------------|-----------------------|
| | Accrued Pension at age 65 as at 31 March 2012 | Real increase in pension at age 65 | CETV at 31 March 2012 | CETV at 31 March 2011 (recalculated) | CETV at 31 March 2011 (published) | Real increase In CETV |
| Ministers | | £000 | £000 | £000 | £000 | £000 |
| The Rt Hon Cheryl Gillan MP, Secretary of State for Wales (from 12 May 2010) | 0-5 | 0-2.5 | 62 | 36 | 34 | 16 |
| David Jones MP, Parliamentary Under Secretary of State (from 12 May 2010) | 0-5 | 0-2.5 | 17 | 8 | 11 | 5 |
| The Rt Hon Peter Hain MP, Secretary of State for Wales (to 12 April 2010) | n/a | n/a | n/a | n/a | 295 | n/a |
| Wayne David MP, Parliamentary Under Secretary of State (to 12 April 2010) | n/a | n/a | n/a | n/a | 25 | n/a |
| The Rt Hon the Lord Wallace of Tankerness QC, Advocate General for Scotland (from 12 May 2010)† | – | – | – | – | – | – |

Notes to the table:

The CETV at 31 March 2011 (published) was calculated using actuarial assumptions applicable at the year end. The CETV at 31 March 2011 (recalculated) reflects the actual position based on the crystallisation of those yield assumptions.

†The Rt Hon the Lord Wallace of Tankerness QC, Advocate General for Scotland, deals with Wales Office affairs in the House of Lords. His Ministerial Salary, allowances and pension benefits are made by the Ministry of Justice.

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. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

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 re-valued annually in line with Pensions Increase legislation. From 1 April 2009 members pay contributions of 5.9% of their Ministerial salary if they have opted for the 1/60th accrual rate 7.9% of salary if they have opted for the 1/50th accrual rate or 11.9% of salary if they have opted for the 1/40th accrual rate. There is also an employer contribution of 28.7% of the Ministerial salary paid by the Exchequer representing the balance of cost as advised by the Government Actuary. Increases to member and Exchequer contributions will apply from 1 April 2012.

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 2011-12 relate to performance in 2010-11 and the comparative bonuses reported for 2010-11 relate to performance in 2009-10.

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

| Remuneration | 2011-12 | | | 2010-11 | | |
|---|-----------------|---|----------------|--|---|----------------|
| | Senior Managers | Salary excluding bonuses (including allowances) | Bonus Payments | Benefits in kind (rounded to the nearest £100) | Salary excluding bonuses (including allowances) | Bonus Payments |
| | £000 | £000 | £ | £000 | £000 | £ |
| Fiona Adams Jones Head of the Wales Office† | 90-95 | | 13,300 | 90-95 | | |
| Glynne Jones Deputy Director, Constitution and Strategy and Deputy Head of the Wales Office | 70-75 | 5-10 | | 70-75 | 5-10 | |
| Tim Hemming Deputy Director, Policy †† | 60-65 | | 6,300 | 60-65 | | 6,000 |
| Stephen Hillcoat Deputy Director, Private Office and Communications | 65-70 | | | 65-70 | | |

Non-Executive directors

| Remuneration | 2011-12 | | | 2010-11 | | |
|--|-----------------|---|---------------------------------|--|---|---------------------------------|
| | Senior Managers | Salary exc bonuses (including allowances) | 2010-11 bonuses paid in 2011-12 | Benefits in kind (rounded to the nearest £100) | Salary exc bonuses (including allowances) | 2009-10 bonuses paid in 2010-11 |
| | £000 | £000 | £ | £000 | £000 | £ |
| David Crawley Audit Committee Chair and Deputy Chair Management Board and Non-Executive Director, Wales Office | 5-10 | – | – | 5-10 | – | – |
| Ian Summers, Non Executive Director, Wales Office | 5-10 | – | – | 5-10 | – | – |

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

†† The Wales Office met the travel costs until December 2011.

The Senior Managers were supported by the following Senior Officers, who were also members of either the Management Board or Audit and Risk Assurance

Sub-Committee: Tricia Quiller-Croasdell, Dawn Brace, and Gill Lambert.

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 2011-12 was £105,800 (*salary is calculated as the midpoint of the band £90,000 – 95,000, plus benefits in kind*). This was 3.6 times the median salary of the workforce, which was £29,500.

The salary of the most-highly paid individual in Wales Office in the financial year 2010-11 was £92,500. This was 3.1 times the median salary of the workforce, which was £29,500.

| Remuneration | 2011-12 | | 2010-11 | |
|---|---------|-------|---------|-------|
| | Number | £'000 | Number | £'000 |
| Total Remuneration Permanent Staff (excluding highest paid Director) | | 2,876 | | 2,879 |
| Total Permanent Staff (excluding highest paid Director) | *56 | | *54 | |
| Median Pay of Permanent Staff | | 29.5 | | 29.5 |
| Highest Paid Director Median of Pay band (including Benefits in Kind) | | 105.8 | | 92.5 |
| As a multiple of Permanent Staff Median Pay | | 3.6 | | 3.1 |

* 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 2011-12 (£Nil in 2010-11)

Service Contracts

| Senior Managers | Contract Start date | Unexpired term (years) | Notice period (months) |
|--|---------------------|------------------------|------------------------|
| Fiona Adams Jones Head of the Wales Office† | 25 February 1974 | 7 | 3 |
| Glynne Jones Deputy Director, Constitution and Parliament | 16 January 1989 | 21 | 3 |
| Tim Hemming Deputy Director, Policy | 5 September 1994 | 26 | 3 |
| Stephen Hillcoat Deputy Director and Principal Private Secretary | 26 November 1986 | 23 | 3 |

Notes to the table:

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 2012 £000 | Real increase in pension and related lump sum at pension age at 31 March 2011 £000 | CETV at 31 March 2012 £000 | CETV at 31 March 2011 (re-calculated) £000 | CETV at 31 March 2011 (published) £000 | Real increase/decrease in CETV £000 |
|--|--|---|-------------------------------|---|---|--|
| Fiona Adams Jones Head of the Wales Office† | 40-45 plus lump sum 125-130 | 0-2.5 plus lump sum 0-2.5 | 894 | 844 | 891 | (22) |
| Glynne Jones Deputy Director, Constitution and Parliament | 20-25 plus lump sum 60-65 | 0-2.5 plus lump sum 0-2.5 | 318 | 296 | n/a | (3) |
| Tim Hemming Deputy Director, Policy | 20-25 plus lump sum 65-70 | 0-2.5 plus lump sum 0-2.5 | 309 | 275 | n/a | 10 |
| Stephen Hillcoat Deputy Director and Principal Private Secretary | 10-15 plus lump sum 35-40 | 0-2.5 plus lump sum 0-2.5 | 156 | 142 | n/a | 2 |

Notes to the table:

The CETV at 31 March 2011 (published) was calculated using actuarial assumptions applicable at the year end.

The CETV at 31 March 2011 (recalculated) reflects the actual position based on crystallisation of those yield assumptions.

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.

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.

Benefits in Kind are an estimate, as the final value to be agreed between the Secretary of State and Her Majesty's Revenue and Customs.

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 uprated 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.

Fiona Adams Jones
Principal Accounting Officer

4 September 2012

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 Director of the Wales Office as Accounting Officer of the Wales Office. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the assets of the Wales Office, are set out in *Managing Public Money* published by 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 takes the place of the former 'Statement on Internal Control' and is intended to provide a more comprehensive and more 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 interests of Wales within the UK, providing a voice for Wales at the Cabinet table and representing HM Government in Wales. It is also responsible for the smooth transfer of the monies voted to the Welsh Government by Parliament (the Welsh Block Grant). In discharging these overall 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.

From 12 June 2003 until 31 March 2011, the Wales Office was incorporated within the Ministry of Justice (MoJ) for administrative purposes. On 1 April 2011, following a Machinery of Government change which brought all three Territorial Offices under the administrative umbrella of the Cabinet Office, the Wales Office became a stand-alone Department which produced stand-alone annual accounts. Its Director was, at that point, designated Principal Accounting Officer (having previously been an Additional Accounting Officer).

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. A significant part of the framework is the 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. She is supported politically by the Parliamentary Under-Secretary of State for Wales and administratively by a small team of civil servants led by the Wales Office Director.

Throughout 2011-12, policy delivery and performance was overseen by a Management Board chaired by the Director and comprising 5 senior managers together with one independent non-executive board member (NEBM). The responsibilities of the Management Board included setting the organisation's objectives and outcomes in consultation with the Secretary of State and in line with her strategic priorities, providing the leadership and capability to achieve those objectives and overseeing the delivery of those outcomes. The Board is accountable to the Secretary of State and reports through her to Parliament on the delivery of the Department's objectives.

Biannual strategy meetings between the Management Board and the two Ministers, and jointly chaired by the lead NEBM and the Secretary of State, were held in May and September 2011. Those meetings monitored performance against the Department's 4-year Business Plan, informed by latest Ministerial thinking and priorities. The meetings built on those held in the previous year.

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

Principal Accounting Officer role

The Director of the Wales Office is its Principal Accounting Officer. In accordance with the responsibilities assigned to her in her appointment letter and as set out in *Managing Public Money* she is charged with the governance of the Wales Office.

The 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
- 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 resources
- manage its staff fairly, with inclusive policies designed to promote and integrate diversity
- 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
- use internal and external audit to improve its internal controls and performance.

The Wales Office has an Audit and Risk Assurance Sub-Committee, which is chaired by the NEBM, and comprises one other independent non-executive member and one senior Wales Office official. This committee operates in accordance with the Treasury's Audit Committee Handbook and meets quarterly.

Details of Management Board and of Audit and Risk Assurance Sub Committee attendance during the financial year was as follows:

Management Board

| | Number of Management Board meetings attended in year (there were 5 in total) |
|---|--|
| Fiona Adams Jones (Director, Chair) | 5 |
| David Crawley (Lead Non-Executive Director) | 5 |
| Glynne Jones (Deputy Director, Constitution and Strategy and Deputy Head of the Wales Office) | 5 |
| Tim Hemmings (Deputy Director, Policy) | 4 |
| Stephen Hillcoat (Deputy Director, Private Office and Communications) | 3 |
| Tricia Quiller-Croasdell (in post from July 2011) (Head of Communications) | 2 |
| Dawn Brace (in post from July 2011) (Head of Corporate Governance and Organisational Change) | 4 |

Audit and Risk Assurance Sub-Committee

| | Number of Audit Committee meetings attended in year (there were 4 in total) |
|--|---|
| David Crawley (Chair; Lead Non-Executive Member) | 4 |
| Ian Summers (Non-Executive Member) | 4 |
| Glynne Jones (until October 2011) (Deputy Director) | 3 |
| Gill Lambert (replaced Glynne Jones from November 2011); (Deputy Head of Policy) | 1 |
| *In attendance: Fiona Adams Jones (Director) | 3 |

The governance structure also comprised two other 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 Board member, met 3 times during 2011-12 and considered a range of issues, including staff training in health and safety matters, driving at work, and lone working.

And a Change and Efficiencies Sub-Committee which was remitted 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 Board as necessary; and
- draw up a Change and Efficiencies Plan, and monitor its implementation.

The Sub-Committee, chaired by the Director, discussed and identified recommendations on the initial work to be taken and translated this into a first iteration of a clear and timetabled programme of action (the Change and Efficiencies Plan).

Business Objectives

The Wales Office Business Plan, specifies the following strategic objectives:

| | |
|---------------------|---|
| <i>Objective 1:</i> | To oversee and maintain the devolution settlement and to facilitate partnership working between the Government and the devolved institutions in Wales |
| <i>Objective 2:</i> | To represent Wales' interests within the Government, and to promote a wider understanding of Government policies in Wales |
| <i>Objective 3:</i> | To promote the economic, social and cultural interests of Wales |
| <i>Objective 4:</i> | 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;
- to aim to be exemplary employers, committed to the development and welfare of our staff;
- transparency and partnership working.

Decision taking and business management

Throughout 2011-12, the Wales Office was organised into three divisions to deliver its functions:

1.) Policy; 2.) Private Office and Communications; and 3.) Strategy, Constitution and Corporate Services. Each of these was headed by a Deputy Director who reported to the Director. Budgets were delegated to team leaders 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 Management Board. 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 (for example, in 2011-12, to secure the services of an intranet provider).

Performance

Internal Audit reviews during the year were on: banking processes; stakeholder management; accounts production; and corporate governance processes. The formal report of every one of these reviews gave a positive audit opinion on the Department's governance structures, risk management and control processes.

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

- Production of the Departmental Business Plan;
- Creation of a Departmental intranet;
- Review and update of the Wales Office's anti fraud and whistle blowing policy;
- Voluntary Early Departure scheme; and
- Capital works to maintain and repair Gwydyr House.

Some of the issues considered by the Audit and Risk Assurance Sub-Committee included:

- Business Continuity planning;
- The Department's risk registers and the annual risk management workshops for staff; and
- VAT on services provided to the Department.

Compliance with the Corporate Governance Code

The Wales Office took full account of (also documented in the Departmental Board Operating Framework) HM Treasury's guidance *Corporate Governance in Central Government Departments* (July 2011) in adapting and strengthening its processes to reflect its new 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. The Department aims in the coming year to address those areas where it does not currently fully comply with the guidance, namely:

- the Department will refresh and increase further its number of non-executive board members. The two current NEBMs bring extremely valuable skills and experience which are particularly relevant to the Wales Office during this period of transition to a stand-alone Department with full financial responsibility. 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 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 additional NEBMs to enhance still further the effectiveness of its Board; and

- from the beginning of the next (2012-13) financial year, the Secretary of State will chair meetings of the Departmental Strategy Board, with the lead NEBM as an Alternate Chair.

To supplement the role of the Departmental Strategy Board, day-to-day operational management and civil service leadership will be the responsibility of the Executive Management Sub-Committee, chaired by the Director, with the lead NEBM as the Alternate Chair and a membership drawn from senior officials of the Department, together with the second NEBM. The lead NEBM will head a review of the effectiveness of the new arrangements, to be completed before the end of 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 was illustrated by the Department's handling of the establishment of an 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 constituting and resourcing the Commission and its Secretariat. Risks were identified and plans put in place to ensure successful delivery. Although the Commission has now been established and the first part of its work is well under way, 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 is illustrated both in its agile response to the Gleision Mine disaster, where the Department liaised with Treasury to enable a contribution from HM Government to the charity, to ensure that it was not disadvantaged in the amount of Gift Aid it could recover between being set up and formally registered as a charity; and in its response to the April 2011 Machinery of Government change which has involved a comprehensive review and strengthening of the Department's governance structure.

Capacity to handle risk

Risks were identified and articulated both at a strategic and an operational level, by the Management Board 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 Management Board. The Audit and Risk Assurance Sub-Committee scrutinised the handling of key risks at each 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 Management Board which was informed by the advice of the Audit and Risk Assurance Sub-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 Sub-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:

- all expenditure/income was recorded and properly spent/ 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 audited;
- there were controls procedures in place for the Senior Information Responsible Officer (SIRO) to guard against breaches in information security; and
- there were no breaches of the policy regarding hospitality and gifts.

Summary report from the Chair of the Audit and Risk Sub-Committee

The Committee paid very close attention throughout the year to the finance, accounting and governance issues associated with the change in the status of the Wales Office in view of the importance of ensuring that accurate, well based accounts were presented for audit in this first year of operation as a separate Department. 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 minimize or remove the risk or the nature of the risk is fully understood and accepted.

Fiona Adams Jones
Principal Accounting Officer

4 September 2012

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 2012 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 2012 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 2012 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 2011/12, 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

6 September 2012

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

11 Accounts

Statement of Parliamentary Supply Summary of Resource and Capital Outturn 2011-12

| | Note | 2011-12 Estimate | | | 2011-12 Outturn | | | 2011-12 Voted | 2010-11 Outturn |
|---------------------------------------|------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|--|-------------------|
| | | Voted £000 | Non-Voted £000 | Total £000 | Voted £000 | Non-Voted £000 | Total £000 | Outturn compared with Estimate: saving/ (excess) £000 | Total £000 |
| Departmental Expenditure Limit | | | | | | | | | |
| –Resource | 2.1 | 5,903 | – | 5,903 | 5,178 | – | 5,178 | 725 | 5,069 |
| –Capital | 2.2 | 724 | – | 724 | 185 | – | 185 | 539 | 130 |
| Annually Managed Expenditure | | | | | | | | | |
| –Resource | 2.1 | 109 | – | 109 | 109 | – | 109 | – | – |
| –Capital | 2.2 | – | – | – | – | – | – | – | – |
| Total Budget | | 6,736 | – | 6,736 | 5,472 | – | 5,472 | 1,264 | 5,199 |
| Non-Budget | | | | | | | | | |
| –Resource | 2.1 | 12,865,791 | – | 12,865,791 | 12,791,783 | – | 12,791,783 | 74,008 | 13,244,000 |
| Total | | 12,872,527 | – | 12,872,527 | 12,797,255 | – | 12,797,255 | 75,272 | 13,249,199 |
| Total Resource | | 12,871,803 | – | 12,871,803 | 12,797,070 | – | 12,797,070 | 74,733 | 13,249,069 |
| Total Capital | | 724 | – | 724 | 185 | – | 185 | 539 | 130 |
| Total | | 12,872,527 | – | 12,872,527 | 12,797,255 | – | 12,797,255 | 75,272 | 13,249,199 |

Net cash requirement 2011-12

| Note | 2011-12 | | 2011-12 Outturn compared with Estimate: saving/ (excess) £000 | 2010-11 | |
|----------------------|------------------|-----------------|--|-----------------|------------|
| | Estimate £000 | Outturn £000 | | Outturn £000 | |
| Net cash requirement | 4 | 12,872,218 | 12,796,722 | 75,496 | 13,249,299 |

Administration costs 2011-12

| 3 | 2011-12 Estimate | 2011-12 Outturn | 2010-11 Outturn |
|---|------------------|-----------------|-----------------|
| | £000 | £000 | £000 |
| | 5,843 | 5,254 | 5,026 |

Explanation of variances between Estimate and Outturn are given in Note 2 and the Management Commentary on pages 21-22

The notes on Pages 58 to 84 form part of these accounts

Statement of Comprehensive Net Expenditure For the year ended 31 March 2012

| | | <u>2011-12</u> | <u>2010-11</u> |
|---|------|-------------------|-------------------|
| | | <u>Core</u> | <u>Core</u> |
| | Note | <u>Department</u> | <u>Department</u> |
| | | £000 | £000 |
| Administration Costs: | | | |
| Staff Costs | 6.1 | 3,155 | 3,185 |
| Other administration costs | 7 | 2,111 | 1,847 |
| Operating income | 9 | (39) | (7) |
| Programme Costs: | | | |
| Staff Costs | 6.1 | | |
| Programme costs | 8 | 12,791,816 | 13,244,043 |
| NLF interest payable | | 1,700 | 1,706 |
| NLF interest receivable | | (1,700) | (1,706) |
| Net Operating Cost | | <u>12,797,043</u> | <u>13,249,068</u> |
| Total expenditure | | 12,797,082 | 13,249,075 |
| Total income | | (39) | (7) |
| Net Operating Cost | | <u>12,797,043</u> | <u>13,249,068</u> |
| Other Comprehensive Expenditure | | | |
| Net Operating Cost | | 12,797,043 | 13,249,068 |
| Net gain/(loss) on revaluation of Property, Plant and Equipment | | (485) | (9) |
| Total Comprehensive Expenditure for the year ended 31 March 2012 | | <u>12,796,558</u> | <u>13,249,059</u> |

All activities are from continuing operations.

The notes on Pages 58 to 84 form part of these accounts

Statement of Financial Position As at 31st March 2012

| | Note | 31 March 2012 <u>£000</u> | 31 March 2011 <u>£000</u> |
|--|------|---------------------------------|---------------------------------|
| Non-current assets: | | | |
| Property, plant and equipment | 10 | 3,665 | 3,113 |
| Financial assets | 11 | 11,613 | 11,665 |
| Receivables falling due after more than one year | 12 | 20 | – |
| Total non-current assets | | <u>15,298</u> | <u>14,778</u> |
| Current assets: | | | |
| Trade and other receivables | 12 | 276 | 1,143 |
| Cash and cash equivalents | 13 | 232 | 837 |
| Total current assets | | <u>508</u> | <u>1,980</u> |
| Total Assets | | <u>15,806</u> | <u>16,758</u> |
| Current liabilities | | | |
| Trade and other payables | 14.1 | (1,528) | (2,683) |
| Total current liabilities | | <u>(1,528)</u> | <u>(2,683)</u> |
| Assets less net current liabilities | | <u>14,278</u> | <u>14,075</u> |
| Non-current liabilities | | | |
| Provisions | 15 | (109) | – |
| Other payables | 14.1 | (11,613) | (11,665) |
| Total non-current liabilities | | <u>(11,722)</u> | <u>(11,665)</u> |
| Assets less liabilities | | <u>2,556</u> | <u>2,410</u> |
| Taxpayers' equity: | | | |
| General fund | | 49 | 369 |
| Revaluation reserve | | 2,507 | 2,041 |
| Total taxpayers' equity | | <u>2,556</u> | <u>2,410</u> |

Fiona Adams Jones
Principal Accounting Officer

4 September 2012

The notes on Pages 58 to 84 form part of these accounts

Statement of Cash Flows For the year ended 31 March 2012

| | | <u>2011-12</u> | <u>2010-11</u> |
|--|------|----------------------------|----------------------------|
| | Note | <u>£000</u> | <u>£000</u> |
| Cash flows from operating activities | | | |
| Net operating cost | | (12,797,043) | (13,249,068) |
| Adjustments for non-cash transactions | 7 | 204 | 196 |
| (Increase)/Decrease in trade and other receivables | 12.1 | 847 | 33 |
| <i>Less: Movements in receivables not passing through the SCNE</i> | | (7) | (6) |
| Increase/(Decrease) in trade payables | 14.1 | (1,207) | (149) |
| <i>Less: Movements in payables not passing through the SCNE</i> | | 689 | (305) |
| Use of provisions | 15 | (20) | – |
| Net cash outflow from operating activities | | <u>(12,796,537)</u> | <u>(13,249,299)</u> |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 2.2 | (185) | – |
| Loan repayment from other bodies | | 45 | 39 |
| Net cash outflow from investing activities | | <u>(140)</u> | <u>39</u> |
| Cash flows from financing activities | | | |
| From the Consolidated Fund (Supply) – Current Year | | 12,796,083 | 13,249,350 |
| Repayment of loans from the NLF | | (45) | (39) |
| Net financing | | <u>12,796,038</u> | <u>13,249,311</u> |
| Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund | | | |
| | | (639) | 51 |
| Receipts due to the Consolidated Fund which are outside the scope of the Department's activities | | 29,144 | 15,533 |
| Payments of amounts due to the Consolidated Fund | 5.2 | (29,110) | (15,526) |
| Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund | | <u>(605)</u> | <u>58</u> |
| Cash and cash equivalents at the beginning of the period | 13 | <u>837</u> | <u>779</u> |
| Cash and cash equivalents at the end of the period | 13 | <u>232</u> | <u>837</u> |

The notes on Pages 58 to 84 form part of these accounts

Statement of Changes in Taxpayers Equity For the year ended 31 March 2012

| | Note | General Fund £000 | Revaluation Reserve £000 | Total Taxpayers' Equity £000 |
|--|------|-------------------------|--------------------------------|---------------------------------------|
| Balance at 1 April 2010 | | (30) | (2,033) | (2,063) |
| Net Parliamentary Funding | | | | |
| – Drawn down | SCF | (13,249,350) | | (13,249,350) |
| – Deemed | | (779) | | (779) |
| Unspent Supply drawn down repayable to the Consolidated Fund | 14.1 | 830 | | 830 |
| Excess Income | 5.1 | 7 | | 7 |
| Prior Year Excess Income | | 2 | | 2 |
| Comprehensive Net Expenditure for the year | | 13,249,068 | (9) | 13,249,059 |
| Non-cash charges | | | | |
| – Auditor's remuneration | 7 | (15) | | (15) |
| – Corporate overhead charges | 7 | (105) | | (105) |
| Movements in Reserves | | | | |
| – Transfers between reserves | | (1) | 1 | – |
| Other | | 4 | | 4 |
| Balance at 31 March 2011 | | (369) | (2,041) | (2,410) |
| Balance at 1 April 2011 | | (369) | (2,041) | (2,410) |
| Net Parliamentary Funding | | | | |
| – Drawn down | SCF | (12,796,083) | | (12,796,083) |
| – Deemed | | (830) | | (830) |
| Unspent Supply drawn down repayable to the Consolidated Fund | 14.1 | 198 | | 198 |
| CFERs payable to the Consolidated Fund | 5.1 | 27 | | 27 |
| Comprehensive Net Expenditure for the year | | 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 relating to prior year | | | (39) | (39) |
| Movements in Reserves | | | | |
| – Transfers between reserves | | (19) | 19 | – |
| Balance at 31 March 2012 | | (49) | (2,507) | (2,556) |

The notes on Pages 58 to 84 form part of these accounts

Notes to the accounts for the year ended 31 March 2012

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 2011-12 (FRoM). The accounting policies contained in the FRoM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FRoM 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.

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

1.2 Accounting convention

These Accounts have been prepared 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 Machinery of Government changes and restatement of comparatives

Prior to 1 April 2011 the Wales Office was deemed to be part of the Ministry of Justice (MoJ) for operational purposes. As such, its financial transactions formed part of MoJ's accounts. With effect from 1 April 2011, the Wales Office became a department in its own right with its own Estimate and is therefore required to prepare its own accounts.

As at 1 April 2011 appropriate assets and liabilities totalling £2.4m were nominally transferred to the Wales Office from MoJ at book value. The transfer was accounted for as a business combination using merger accounting principles in accordance with the FRoM. The prior year comparatives for 2010-11 shown in these accounts reflect this change. By so doing, it appears that the Wales Office always existed in its present form.

This enables the user of the accounts to make useful comparisons between the data from the prior year and the current year.

1.4 Operating segments

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

1.5 Property, plant and equipment

Valuation basis

Non-current assets are stated at fair value. On initial recognition 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 Institute 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 specialised 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.

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) | Shorter of remaining life or 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.

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 lesser 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.

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 Local Government Pension Scheme (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 2.9% (2009-10: 1.8%) in real terms.

The Wales Office will cover the final salary payments for staff leaving under the Voluntary Early Departure scheme for Ministry of Justice and Welsh Government.

1.10 Operating income

Operating income includes both income received 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

Other

Non-cash costs represent the National Audit Office (NAO's) cost 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 2.6%; by comparison 2010-11 rates were 2.7%.

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

2. Analysis of outturn by section

2.1 Analysis of Net resource outturn by section

| | Administration | | | | Programme | | 2011-12 Outturn | 2011-12 Estimate | 2010-11 Outturn |
|--|----------------|-------------|--------------|-------------------|-----------|-------------------|--------------------|---------------------|--------------------|
| | Income | Net Total | Gross | Income | Net Total | Net Total | | | |
| | £000 | £000 | £000 | £000 | £000 | £000 | | | |
| Spending in Departmental Expenditure Limits (DEL) | | | | | | | | | |
| Voted expenditure | | | | | | | | | |
| A Wales Office | 4,938 | (12) | 4,926 | 33 | - | 33 | 4,959 | 5,572 | 5,069 |
| B Commission on Devolution | 219 | - | 219 | - | - | - | 219 | 331 | - |
| Total Voted expenditure in DEL | 5,157 | (12) | 5,145 | 33 | - | 33 | 5,178 | 5,903 | 5,069 |
| Spending in Annually Managed Expenditure (AME) | | | | | | | | | |
| Voted expenditure | | | | | | | | | |
| C Provisions | 109 | - | 109 | - | - | - | 109 | 109 | - |
| Total; Voted expenditure in AME | 109 | - | 109 | - | - | - | 109 | 109 | - |
| Non-Budget Spending | | | | | | | | | |
| D Grant payable to the Welsh Consolidated Fund | - | - | - | 12,791,783 | - | 12,791,783 | 12,791,783 | 12,865,791 | 13,244,000 |
| Total for Estimate: | - | - | - | 12,791,783 | - | 12,791,783 | 12,791,783 | 12,865,791 | 13,244,000 |
| Of which: | | | | | | | | | |
| Total voted in Estimate | 5,266 | (12) | 5,254 | 12,791,816 | - | 12,791,816 | 12,797,070 | 12,871,803 | 13,249,069 |

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

2.2. Analysis of net capital outturn by section

| | | | 2011-12 Outturn | 2011-12 Estimate | | 2010-11 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 | 185 | | 185 | 724 | 539 | 130 |
| Total Voted Expenditure in DEL | 185 | - | 185 | 724 | 539 | 130 |
| Total for Estimate: | 185 | - | 185 | 724 | 539 | 130 |
| Of which: | | | | | | |
| Total voted in Estimate | 185 | - | 185 | 724 | 539 | 130 |

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>2011-12</u> | <u>2010-11</u> | |
|--|-----------------------|------------------------|---|-----------------------|-------------------|
| | | | Outturn compared with estimate | | |
| Note | <u>Outturn</u> | <u>Estimate</u> | <u>estimate</u> | <u>Outturn</u> | |
| | <u>£000</u> | <u>£000</u> | <u>£000</u> | <u>£000</u> | |
| Total resource outturn in Statement of Parliamentary Supply | | | | | |
| Budget | 2 | 5,287 | 6,012 | 725 | 5,069 |
| Non-Budget | 2 | 12,791,783 | 12,865,791 | 74,008 | 13,244,000 |
| | | <u>12,797,070</u> | <u>12,871,803</u> | <u>74,733</u> | <u>13,249,069</u> |
| Less: | | | | | |
| Income payable to the Consolidated Fund | | (27) | – | 27 | (7) |
| Overheads | | – | – | – | 105 |
| | | <u>(27)</u> | <u>–</u> | <u>27</u> | <u>98</u> |
| Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure (for the year ended 31 March 2012) | | | | | |
| | | <u>12,797,043</u> | <u>12,871,803</u> | <u>74,760</u> | <u>13,249,167</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. The variance on a net operating cost basis is of a similar magnitude.

3.2 Outturn against final Administration budget and Administration net operating cost

| | | <u>2011-12</u> | <u>2010-11</u> |
|---|-------------|---------------------|---------------------|
| | Note | <u>£000</u> | <u>£000</u> |
| Estimate Administration Costs Limit | | 5,843 | 5,510 |
| Outturn – Gross Administration Costs | 2.1 | 5,266 | 5,033 |
| Outturn – Gross Income relating to Administration Costs | 2.1 | (12) | (7) |
| Outturn – Net Administration Costs | | <u>5,254</u> | <u>5,026</u> |
| Reconciliation to operating costs: | | | |
| Less: provisions utilised (transfer from Programme) | | – | – |
| Less: Other | 5.1 | (27) | – |
| Administration Net Operating Costs | | <u>5,227</u> | <u>5,026</u> |

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

4. Reconciliation of Net cash requirement to increase/(decrease) in cash

| | Note | <u>2011-12</u> <u>£000</u> | <u>2010-11</u> <u>£000</u> |
|---|------|-------------------------------|-------------------------------|
| Net cash requirement | SCF | (12,796,722) | (13,249,299) |
| Amounts from the Consolidated Fund (Supply): | SCF | 12,796,083 | 13,249,350 |
| – current year | | | |
| Received in a prior year and not paid over: | | | |
| CFERS | 14.1 | 7 | 7 |
| Received in year and not paid over: CFERS | 14.1 | 27 | – |
| National Loans Fund transactions: | | | |
| Principal payments paid over | 14.1 | (45) | (39) |
| Principal payments received from other bodies | 14.1 | 45 | 39 |
| Interest received from other bodies | | 1,700 | 1,706 |
| Interest paid over | | (1,700) | (1,706) |
| Increase/(decrease) in cash | | <u>(605)</u> | <u>58</u> |
| Opening cash | 13 | 837 | 779 |
| Closing cash | 13 | 232 | 837 |
| Increase/(decrease) in cash | | <u>(605)</u> | <u>58</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 2011-12 | | Outturn 2010-11 | |
|---|------|-----------------|-----------------|-----------------|-----------------|
| | | 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 | | | 7 | 7 |
| Total income payable to the Consolidated Fund | | 27 | 27 | 7 | 7 |

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:

| | 2011-12 | 2010-11 |
|---|---------------|---------------|
| | £000 | £000 |
| Income collected by the Welsh Government and due to the Consolidated Fund | 29,110 | 15,526 |
| Forfeit Assembly Election Deposits | | |
| Excess Income | | |
| | 29,110 | 15,526 |
| Amount payable to the Consolidated Fund | 29,110 | 15,526 |
| Balance held at start of year | | – |
| Payments into the Consolidated Fund | 29,110 | 15,526 |
| Balance held on trust at the end of the year | | |

The income arises from repayment of Student Loans £28,903,000, Cleddau Bridge £100,000, Tai Cymru £10,000, Bank Interest £36,000 and Other Miscellaneous Income £61,000.

6. Staff numbers and related costs

6.1 Staff Numbers and Related Costs

| | | | | | 31 March 2012 | 31 March 2011 |
|--|----------------------------------|-----------|------------|---------------------|------------------|------------------|
| | Permanently Employed Staff | Others | Ministers | Special Advisors | Total | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Wages and salaries | 2,376 | 86 | 93 | 39 | 2,593 | 2,557 |
| Social security costs | 189 | – | 9 | 4 | 202 | 206 |
| Other pension costs | 403 | – | – | 8 | 412 | 426 |
| Sub Total | 2,968 | 86 | 102 | 51 | 3,207 | 3,189 |
| Less recoveries in respect of outward secondments | – | (52) | – | – | (52) | (4) |
| Total Net Costs | 2,968 | 34 | 102 | 51 | 3,155 | 3,185 |
| Of which: | | | | | | |
| Charged to Admin Costs | 2,968 | 34 | 102 | 51 | 3,155 | 3,185 |
| Charged to Programme Costs | – | – | – | – | – | – |
| | 2,968 | 34 | 102 | 51 | 3,155 | 3,185 |
| Of the above amounts the amounts attributable to the Commission on Devolution in Wales are:– | | | | | | |
| Wages and salaries | 89 | 11 | – | – | 100 | – |
| Social security costs | 9 | – | – | – | 9 | – |
| Other pension costs | 14 | – | – | – | 14 | – |
| Sub Total | 112 | 11 | – | – | 123 | – |
| Less recoveries in respect of outward secondments | – | – | – | – | – | – |
| Total Net Costs | 112 | 11 | – | – | 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 2012</u> | <u>31 March 2011</u> |
|------------------------------|----------------------|----------------------|
| Core Department | | |
| Permanent staff | 54.0 | 55.0 |
| Others | 1.0 | 2.0 |
| Ministers | 2.0 | 2.0 |
| Special Advisers | 1.0 | 1.0 |
| | – | – |
| Total | <u>58.0</u> | <u>60.0</u> |
| Core Department Total | <u>58.0</u> | <u>60.0</u> |

The total number of permanent staff in post as at 31st March 2012 of 54 (53.4 FTE) includes one (temporary) agency member of staff, three staff on fixed term contracts and 17 staff on loan from the Welsh Government and three 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 2011-12, employers' pension contributions of £412k (2010-11: £426k) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% (2010-11: 17.1% to 25.5%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflected past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' pension contributions of £0 (2010-11: £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% (2010-11: 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 (2010-11:£0)

There were no retirements during 2011-12 (2010-11: Nil) on the grounds of ill health.

7. Other Administration Costs

| Note | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| | £000 | £000 |
| Accommodation, maintenance and utilities | 632 | 484 |
| Communications, office supplies and services | 101 | 151 |
| Rentals under operating leases: land and buildings | 246 | 179 |
| Rentals under operating leases: other (plant, machinery, vehicles) | 76 | 201 |
| Service concession charges: IT | 6 | 3 |
| Service concession charges: Other | 20 | 29 |
| IT services & telecommunications | 92 | 256 |
| Other contracted out services | 17 | - |
| Professional services | 53 | 7 |
| Travel and subsistence | 282 | 281 |
| Training and other staff related costs | 30 | 13 |
| Bank fees and charges | 2 | 2 |
| Other administration expenditure | 79 | 45 |
| Charitable Grant | 125 | - |
| Allocation of overheads* | 146 | - |
| Non-cash items | | |
| Depreciation | 70 | 76 |
| Auditors' remuneration and expenses | 25 | 15 |
| Provision provided for in year | 109 | - |
| Allocation of overheads* | - | 105 |
| TOTAL | 2,111 | 1,847 |

* Please note, overheads were soft charged as a non cash charge in previous years as the Wales Office was part of the Ministry of Justice. From 1st April 2011 the Wales Office became a separate body and overheads from the Ministry of Justice are now charged to the Wales Office by means of an annual invoice.

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

| | | |
|--|-----------|----------|
| Accommodation, maintenance and utilities | 12 | - |
| Communications, office supplies and services | 6 | - |
| Rentals under operating leases: other (plant, machinery, vehicles) | 4 | - |
| Service concession charges: IT | 2 | - |
| IT services & telecommunications | 22 | - |
| Travel and subsistence | 11 | - |
| Training and other staff related costs | 1 | - |
| Other administration expenditure | 38 | - |
| TOTAL | 96 | - |

8. Programme Costs

| | <u>31 March 2012</u> | <u>31 March 2011</u> |
|--|--------------------------|--------------------------|
| | <u>£000</u> | <u>£000</u> |
| <i>Programme Costs – Wales Office</i> | | |
| Lord Lieutenants' expenses | 33 | 43 |
| Funding of the National Assembly for Wales | 12,791,783 | 13,244,000 |
| Total Programme Costs | <u>12,791,816</u> | <u>13,244,043</u> |

9. Income

| | | <u>31 March 2012</u> | <u>31 March 2011</u> |
|---|------|----------------------|----------------------|
| | Note | <u>£000</u> | <u>£000</u> |
| Income | | | |
| Rental income | | 12 | – |
| Total Income | | <u>12</u> | <u>–</u> |
| Payable to Consolidated Fund | | | |
| Excess Income | 5.1 | | 7 |
| Forfeited Assembly Election Deposits | 5.1 | 27 | |
| Total payable to Consolidated Fund | | <u>27</u> | <u>7</u> |
| Grand Total | | <u>39</u> | <u>7</u> |
| Of which | | | |
| Administration income | | 39 | 7 |
| Total | | <u>39</u> | <u>7</u> |

10. Property, Plant and Equipment

| | <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> |

10. 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> |
| 2010-11 | | | | | | |
| Cost or valuation | | | | | | |
| At 1 April 2010 | 2,116 | 961 | 128 | 106 | - | 3,311 |
| Additions | - | - | - | - | 130 | 130 |
| Revaluations/ impairments | - | - | 11 | (4) | - | 7 |
| At 31 March 2011 | <u>2,116</u> | <u>961</u> | <u>139</u> | <u>102</u> | <u>130</u> | <u>3,448</u> |
| Depreciation | | | | | | |
| At 1 April 2010 | - | (149) | (17) | (95) | - | (261) |
| Charged in year | - | (37) | (28) | (11) | - | (76) |
| Revaluations/ impairments | - | - | (1) | 3 | - | 2 |
| At 31 March 2011 | <u>-</u> | <u>(186)</u> | <u>(46)</u> | <u>(103)</u> | <u>-</u> | <u>(335)</u> |
| Net book value at 31 March 2011 | <u>2,116</u> | <u>775</u> | <u>93</u> | <u>(1)</u> | <u>130</u> | <u>3,113</u> |
| Net book value at 1 April 2010 | <u>2,116</u> | <u>812</u> | <u>111</u> | <u>11</u> | <u>-</u> | <u>3,050</u> |
| Asset financing: | | | | | | |
| Owned | <u>2,116</u> | <u>775</u> | <u>93</u> | <u>(1)</u> | <u>130</u> | <u>3,113</u> |

11. Investments

| | 31 March 2012 |
|---------------------------------|--|
| | Loans funded from National Loans Fund |
| | £000 |
| Balance at 31 March 2010 | 11,710 |
| Transfers | (45) |
| Balance at 31 March 2011 | 11,665 |
| Transfers | (52) |
| Balance at 31 March 2012 | 11,613 |

Loans funded from the 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.

12. Trade Receivables and other current assets

12.1 Analysis by type

| | | 31 March 2012 | 31 March 2011 |
|--|------|---------------|---------------|
| | Note | £000 | £000 |
| Amounts falling due within one year: | | | |
| Trade receivables | | 16 | – |
| VAT receivables | | 31 | 9 |
| Deposits and advances | | 2 | 96 |
| Other receivables | | – | 818 |
| Prepayments (non PFI) and accrued income | | 43 | 42 |
| Current part of NLF loan – interest receivable | | 132 | 133 |
| Current part of NLF loan – capital | 11 | 52 | 45 |
| Total receivables | | 276 | 1,143 |
| | | | |
| | | 31 March 2012 | 31 March 2011 |
| | Note | £000 | £000 |
| Amounts falling due after more than one year: | | | |
| Deposits and advances | | 20 | – |
| Total receivables | | 20 | – |

12.2 Intra-Government Balances

| | Amounts falling due within one year | | Amounts falling due after more than one year | |
|---|--|------------------|---|------------------|
| | 31 March 2012 | 31 March 2011 | 31 March 2012 | 31 March 2011 |
| | £000 | £000 | £000 | £000 |
| Balances with other central government bodies | 231 | 1,005 | – | – |
| <i>Subtotal:</i> intra-government balances | 231 | 1,005 | – | – |
| Balances with bodies external to government | 45 | 138 | 20 | – |
| Total receivables | 276 | 1,143 | 20 | – |

13. Cash and cash equivalents

| | <u>31 March 2012</u> | <u>31 March 2011</u> |
|---|----------------------|----------------------|
| | <u>£000</u> | <u>£000</u> |
| Balance at 1 April | 837 | 779 |
| Net change in cash and cash equivalents | (605) | 58 |
| Balance at 31 March | <u>232</u> | <u>837</u> |
| The following balances were held at: | | |
| Government Banking Service | (20) | 822 |
| Commercial banks and cash in hand | <u>252</u> | <u>15</u> |
| Total | <u>232</u> | <u>837</u> |

14. Trade Payables and other current liabilities

14.1 Analysis by type

| | Note | 31 March 2012 £000 | 31 March 2011 £000 |
|--|------|-----------------------|-----------------------|
| Amounts falling due within one year: | | | |
| Other taxation and social security | | 69 | 66 |
| Trade payables | | 24 | 10 |
| Other payables | | 49 | 1,178 |
| Accruals | | 970 | 414 |
| Current part of NLF loan – capital | 11 | 52 | 45 |
| Current part of NLF loan – interest payable | | 132 | 133 |
| Amounts issued from the Consolidated Fund for supply but not spent at year end | | 198 | 830 |
| Amounts due to the Consolidated Fund for excess Income | | 34 | 7 |
| Total payables | | 1,528 | 2,683 |

| | Note | 31 March 2012 £000 | 31 March 2011 £000 |
|--|------|-----------------------|-----------------------|
| Amounts falling due after more than one year: | | | |
| NLF loans | 11 | 11,613 | 11,665 |
| Total payables | | 11,613 | 11,665 |

14.2 Intra-Government Balances

| | Amounts falling due within one year | | Amounts falling due after more than one year | |
|---|--|--------------------------|---|--------------------------|
| | 31 March 2012 £000 | 31 March 2011 £000 | 31 March 2012 £000 | 31 March 2011 £000 |
| Balances with other central government bodies | 984 | 2,275 | 11,613 | 11,665 |
| Balances with local authorities | – | – | – | – |
| Balances with NHS Trusts | – | 4 | – | – |
| Balances with public corporations and trading funds | 16 | – | – | – |
| <i>Subtotal:</i> intra-government balances | 1,000 | 2,279 | 11,613 | 11,665 |
| Balances with bodies external to government | 528 | 404 | – | – |
| Total payables | 1,528 | 2,683 | 11,613 | 11,665 |

15. Provisions for Liabilities and Charges

| | Early Retirement Costs | Total |
|--------------------------------------|-------------------------------|--------------|
| | £000 | £000 |
| Balance as at 1 April 2010 | – | – |
| Provided in year | – | – |
| Provisions not required written back | – | – |
| Provisions utilised in year | – | – |
| Unwinding of discount | – | – |
| | <hr/> | <hr/> |
| 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 | – | – |
| | <hr/> | <hr/> |
| Balance as at 31 March 2012 | 109 | 109 |

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 (Capita) estimates the amounts that should be payable to these individuals and provision for these amounts is made in our accounts.

16. Financial Instruments

Categories of Financial Instruments

| | | <u>31 March 2012</u> | <u>31 March 2011</u> |
|---|------|------------------------|------------------------|
| | Note | £000 | £000 |
| Cash | 13 | 232 | 837 |
| <i>Loans and Receivables < 1yr</i> | | | |
| Other receivables (gross) | 12.1 | 92 | 147 |
| National Loans Fund – capital | 12.1 | 52 | 45 |
| <i>Loans and Receivables > 1yr</i> | | | |
| National Loans Fund | 14.1 | 11,613 | 11,665 |
| Carrying amount of Financial Assets | | <u>11,989</u> | <u>12,694</u> |
| Financial Liabilities | | | |
| <i>Financial Liabilities at amortised cost</i> | | | |
| National Loans Fund – capital | 14.1 | (11,665) | (11,710) |
| Carrying amount of Financial Liabilities | | <u>(11,665)</u> | <u>(11,710)</u> |

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.

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.

| | <u>31 March 2012</u> | <u>31 March 2011</u> |
|---|----------------------|----------------------|
| | <u>£000</u> | <u>£000</u> |
| Obligations under operating leases comprise: | | |
| Land & Buildings: | | |
| Not later than one year | 42 | 121 |
| Later than one year but not later than five years | – | 113 |
| Total | <u>42</u> | <u>234</u> |
| Other: | | |
| Not later than one year | 81 | 90 |
| Later than one year but not later than five years | 50 | 43 |
| Total | <u>131</u> | <u>133</u> |
| Total obligations under operating leases | <u>173</u> | <u>367</u> |

It is not possible to separate the rental payments between land and buildings for these leases.

18. Charitable Grants

On the 15th September 2011, four miners were tragically killed in the Gleision Mining Incident in South Wales.

In the immediate aftermath of the incident, the Secretary of State for Wales and the Chancellor agreed that the Government (it was subsequently agreed it would be the Wales Office) would ensure that the beneficiaries of the charity set up would not lose out, in terms of Gift Aid, whilst it sought charitable status. In practical terms this was an agreement to pay the 25% that the organisation would have been able to claim back as Gift Aid whilst the Charity Commission considered its application for charitable status. The Wales Office worked closely with the Charity Commission to ensure this process was managed as quickly as possible.

The Wales Office made a payment to the charity of £125,479 in March 2012.

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.

On 4th September 2012, David Jones MP the Parliamentary Under Secretary of State for Wales succeeded the Rt Hon Cheryl Gillan MP as Secretary of State for Wales.



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