



Wales Office
Swyddfa Cymru

Wales Office

**Annual Report and
Accounts 2014-15**



Wales Office Swyddfa Cymru

Annual Report and Accounts 2014-15

(For the year ended 31 March 2015)

Accounts presented to the House of Commons
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1 Ministerial Foreword

It is now a year since the Prime Minister first appointed me as Secretary of State for Wales, to be a strong voice for Wales around the Cabinet table. I feel privileged to have held the post at a time of such unprecedented achievement for the Wales Office. This Report summarises many of those achievements, and I thought I would highlight just a few.

In September I stood next to the Prime Minister and First Minister as we welcomed an astonishing array of world leaders to the NATO summit at Celtic Manor. The summit put Wales on the world stage and we shone, achieving a global profile that many countries can only dream of. We built on that success two months later when Newport hosted the UK Investment Conference. Welsh businesses seized the moment to show global investors that we are home to world-class companies at the cutting edge of international research and development. Business leaders were left in no doubt that Wales is an ambitious nation, hungry for success with a progressive and dynamic economy.

The Prime Minister opened the Investment Conference with the announcement that we had reached an agreement with the Welsh Government to electrify the Valley railway lines. I have long made the case for electrification of the South Wales railways, and I take great pride that the Wales Office was pivotal in brokering this landmark deal. It has the potential to be a transformational project.

It is next to impossible to discuss 2014-15 without mentioning constitutional developments. In December the Wales Act 2014 completed its parliamentary passage, delivering a set of powers to the Welsh Government which will provide it with genuine financial accountability for the first time in its history. I then led the St David's Day process, chairing discussions with party leaders in Westminster and Cardiff which culminated in the St David's Day Agreement – a strong package of new powers for Wales announced by the Prime Minister and Deputy Prime Minister. The Agreement lays the foundations for a clearer, stronger and fairer devolution settlement for Wales.

As part of the Agreement we committed to introduce a funding floor to protect Welsh relative funding. This will help strengthen the Welsh devolution settlement and removes the final barrier erected by the Welsh Government to calling a referendum on income tax devolution.

We may be a small nation, but this year has shown what we can achieve when the UK Government works with businesses in Wales, the Welsh Government and other organisations to deliver for our country. The Wales Office is at the heart of this, making those relationships work and actively seeking new opportunities to improve the lives of people in Wales.

As Secretary of State I have been ably supported by a strong ministerial team and I would like to thank Alun Cairns MP and Baroness Randerson for their hard work and dedication. I would similarly like to thank the staff in the Wales Office, who maintained excellent levels of performance while cutting costs. They should be proud of all they have achieved for Wales.

Rt Hon. Stephen Crabb MP
Secretary of State for Wales

2 Director's Introduction

By any measure 2014-15 has been a year of significant achievement for the Wales Office. Across a broad range of high profile areas – from the NATO Summit to the UK Investment Summit; from the Wales Act 2014 to the publication of the Command Paper ‘Powers for a Purpose: Towards a lasting Devolution Settlement for Wales’; from securing a funding deal for the electrification of the South Wales rail network to negotiations beginning on a Cardiff City Deal – the Department has demonstrated its ability to step up and deliver what is needed, whatever the obstacles and pressures.

This Annual Report represents an impressive body of work for any Department, much less one numbering fewer than fifty people, and is a fitting tribute to the commitment and efforts of Wales Office staff throughout the year.

Glynne Jones
Director

3 Strategic Report

In 2014-15 the Wales Office has continued to deliver for Wales across a range of important areas. The UK is now the fastest growing developed economy and the Welsh economy is growing faster than anywhere within the UK. The Wales Office has played its part to strengthen Wales's economy and stimulate growth that creates employment opportunities for all.

The Wales Office was instrumental in bringing the UK Investment Summit to Wales in November, building on the success of September's NATO Summit. Those summits raised the international profile of Wales, highlighting it as a great place to visit, study and invest.

At the UK Investment Summit the Prime Minister announced the successful conclusion to detailed negotiations between the Wales Office, the Department for Transport and the Welsh Government to electrify the South Wales rail network. UK Government funding of £230 million will be invested to run electric trains on the main line through to Swansea, and on the entire Valley Lines network. This investment will shorten journey times and help to better connect communities in the South Wales Valleys to employment opportunities in Cardiff, Newport and Swansea.

The Wales Office worked closely with HM Treasury and other UK Government departments to secure successful outcomes for Wales in the 2015 Budget. These included the reduction of the tolls on the Severn Crossings post 2018, and entering negotiations on the Contracts for Difference for the Swansea tidal project and with Cardiff Council on a City Deal for Cardiff.

We have engaged proactively with businesses across Wales to ensure UK economic policy continues to deliver for businesses in Wales. The Secretary of State's Economic Advisory Board has provided a direct conduit for views and advice to inform UK Government decision making on matters of concern to Welsh business. Wales Office ministers have also met a large number of business people in Wales to hear at first hand the action they want Government to take to support economic growth.

The Wales Office has also delivered important constitutional changes to strengthen Wales's role within the United Kingdom and make the Assembly and Welsh Government more accountable.

Wales Office Ministers steered a Wales Bill through Parliament to become the Wales Act 2014. This important piece of legislation, the first Wales only legislation for eight years, implements almost all of the recommendations in the first report of the independent Commission on Devolution in Wales (the Silk Commission). It devolves tax and borrowing powers to the Assembly and Welsh

Government. These are important new tools that can be used to help develop the Welsh economy and progress important investment in infrastructure in Wales.

The Secretary of State for Wales led the St David's Day process, which identified where there is political consensus to implement recommendations made in the Silk Commission's second report on devolution for Wales. The process also looked at the Smith Commission Agreement for Scotland to identify recommendations which attracted strong political support to implement in Wales.

The culmination of this work was the publication in February 2015 of the Command Paper *Powers for a Purpose: Towards a Lasting Devolution Settlement for Wales*. The Command Paper set out a blueprint for further devolution for Wales that reflects the consensus the Secretary of State reached with the four main political parties in Wales. It includes a commitment to change the basis of Welsh devolution to a reserved powers model and agreement to introduce a funding floor for Wales in the expectation that the Welsh Government will call a referendum on income tax powers in the new Parliament. Many of the commitments in the Command Paper will be implemented in a new Wales Bill in the new Parliament.

A number of bills in the Government's legislative programme had implications for Wales. We have continued to be rigorous in ensuring that UK legislation both fully reflects the needs of Wales and is consistent with the devolution settlement; for example, we provided significant input into the development of legislation such as the Infrastructure Act 2015, the Consumer Rights Act 2015 and the Deregulation Act 2015.

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

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

Working with Welsh business

2014 was an unprecedented year in promoting Wales right across the globe. The NATO Summit held in Celtic Manor, Newport, was the largest ever gathering of international leaders to visit the UK and the first time a serving President of the United States had visited Wales. It was a unique opportunity to showcase Wales and to help build a lasting economic legacy from the Summit.

The Wales Office worked jointly with the Welsh Government and UK Trade and Investment to bring the UK Investment Summit to Wales in November. The Investment Summit welcomed 150 investors, business leaders and senior government ministers, including the Prime Minister, to highlight why Wales is a great place to study and invest. The event successfully demonstrated the shared priority of the UK and Welsh Governments in bringing new inward investment to Wales.

The Wales Office led discussions with businesses in Wales on how UK Government policies can support economic growth. The Secretary of State's Economic Advisory Board explored the role of the technology sector in promoting innovation and economic growth, and examined the opportunities and challenges for the aerospace sector in Wales.

Wales Office Ministers also undertook a comprehensive visits programme to see first hand how businesses in Wales were working hard to increase productivity, create jobs and support wider economic growth.

Small and medium enterprises (SMEs) play a crucial role in the Welsh economy and, in recognition of this, Wales Office ministers chaired a series of round-table events (in Bridgend, Llanrwst and Newtown) to highlight Government support for Welsh SMEs to bid for and win public sector contracts. The Wales Office also worked with HM Treasury to devolve fully non-domestic (business) rates to the Welsh Government, putting Wales on the same footing as Northern Ireland and Scotland. The full devolution of business rates will increase the accountability of the Welsh Government and provide further tools to help support economic growth in Wales.

The technology sector in Wales continued to go from strength to strength with employment of IT professionals in Wales forecast to grow at twice the UK average to 2020. The Wales Office has worked to support the sector following the showcasing of companies such as Blizzard Protections, Surechill and Concrete Canvas at the Investment Summit. Wales Office Ministers visited

TechHub Swansea – a small but global community with diverse partners such as Google and the DVLA – which creates both physical and virtual spaces for tech entrepreneurs to meet, work, learn and collaborate.

The Wales Office also engaged more with the creative industries sector this year, recognising its increasingly important contribution to the Welsh economy. In October, Wales Office Ministers addressed TAC, the union body for Welsh independent television producers, emphasising the need for the sector to produce programming for a varied set of broadcasters.

In January, the Wales Office held a round table meeting of small business in Wales in collaboration with the Confederation of British Industry (CBI) and UK Export Finance. The meeting focussed on the importance of exports to the Welsh economy and the Government’s role in enabling greater access to finance for companies looking to expand into markets overseas.

Tourists spend around £5.1 billion a year in Wales and support over 120,000 jobs. In March the Wales Office hosted a Wales Tourism Alliance reception to celebrate the start of Wales Tourism Week. Attendees included representatives of the British Hospitality Association, the Association of Welsh Agents, and the Camping and Caravanning Club.

In March, as part of the activities for International Women’s Day, Wales Office Ministers hosted an event at the Tomos Watkin Brewery in Swansea to showcase women in Wales who are succeeding in traditionally male-dominated industries such as security, brewing and construction.

Improving infrastructure

Improving Wales’s infrastructure is key to the future economic prosperity of Wales. In June we published the Wales Office Infrastructure Working Group’s report. Key figures from Welsh industry worked with the UK and Welsh Governments to identify the priorities for infrastructure development to boost the Welsh economy.

At the UK Investment Summit, the Prime Minister announced a funding deal for the electrification of the rail lines in South Wales. The Secretary of State for Wales led negotiations across Whitehall and with the Welsh Government to deliver the agreement. The UK Government will meet the full costs of electrifying the Great Western main line to Swansea, and will contribute £125 million to the Valley Lines Electrification (VLE) scheme. The Welsh Government has assumed responsibility for delivering VLE and has freedom to decide the scope and timings of the scheme.

The UK Government announced that it will devolve executive rail franchising functions to the Welsh Government before the start of the next franchise in 2018. The Wales Office worked with the Department for Transport and Welsh Government in preparing for this announcement. Work is continuing on the detail of devolving the franchise.

Wales Office Ministers have also supported rail infrastructure investment in North Wales. The department held a transport summit at Deeside Industrial Estate in January in partnership with the CBI. The meeting brought together businesses, transport groups and local authority leaders from both sides of the border to discuss transport investment priorities. This focussed on improving rail links between North Wales and North West England, and how this would support economic growth in the region. It was an opportunity for Welsh local authorities to make new contacts and consider the role of business as they build the case for electrification in North Wales.

The Wales Office engaged with the North of England Electrification Taskforce given the implications of its remit (to recommend to Government the next phase of electrification priorities for the North of England) for Wales. The Taskforce report, presented to the Department for Transport in March, highlighted the need to consider the impact of electrification in the North of England on routes in Wales.

The roll out of superfast broadband has continued across Wales. Wales Office Ministers welcomed the announcement that 1 million properties in Wales now had access to superfast broadband, following £69 million of UK Government investment. Following Cardiff and Newport becoming super connected cities, the Wales Office recognised the case for further expansion and the 2015 Budget confirmed that the scheme will extend further across South Wales. This will help more businesses benefit from the voucher scheme. This investment has been complemented by the Cardiff Internet Exchange, which hosts traffic instead of sending it to London, making internet speeds much faster. Speaking at its opening, Wales Office Ministers noted the significance that developments such as this have for businesses across South Wales.

The Wales Office has also worked with the Department for Energy and Climate Change to secure private investment in energy infrastructure in Wales, including first stage negotiations on the *Contracts for Difference* for the Swansea tidal project, and with Infrastructure UK in their ongoing discussions with Hitachi on a UK Infrastructure Guarantee for their multi-billion pound investment in Wylfa Newydd.

Getting people back into Work

The labour market improved in Wales in the last twelve months with 8,000 fewer people unemployed. The number of people claiming Job Seekers Allowance has fallen continuously in Wales, month on month, for the last two years.

Wales Office Ministers have undertaken a series of visits to establish how the labour market is taking shape in Wales, the jobs on offer and the high quality of apprenticeships being offered.

The Wales Office has also championed the outcomes of the UK Government's Work Programme in Wales, with almost 19,000 people entering work who were furthest away from the labour market.

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

Wales Act 2014

The Wales Act 2014 received Royal Assent on 17 December. The Act implements most of the recommendations made by the Silk Commission in its first report¹. It devolves to the Assembly competence over Landfill Tax and Stamp Duty Land Tax, giving it the ability to devise a system of tax on landfill disposal and land transactions specific to Welsh needs and provides the Welsh Government with new borrowing powers to invest in capital infrastructure in Wales. The Act also provides for the devolution of a portion of income tax to Wales subject to a referendum triggered by the Assembly, and makes changes to the Assembly's electoral arrangements that the Wales Office consulted on in our 2012 Green Paper.

The Wales Office managed the successful parliamentary passage of the legislation, working closely with other Government Departments, particularly HM Treasury and Her Majesty's Revenue and Customs (HMRC).

The Wales Office also worked closely with HM Treasury to establish the ministerial Joint Exchequer Committee to co-ordinate the implementation of fiscal devolution to Wales. It met for the first time on 20 October with the Secretary of State, the Chief Secretary to the Treasury, the Financial Secretary to the Treasury and the Welsh Government Finance Minister attending. The Committee agreed to implement the full devolution of business rates on 1 April 2015 and a mechanism to develop the business case to enable Welsh Ministers to issue bonds. New devolved taxes are expected to replace the current Landfill Tax and Stamp Duty Land Tax in Wales by April 2018.

St David's Day Agreement

On 27 February the UK Government published the Command Paper *Powers for a Purpose: Towards a Lasting Devolution Settlement for Wales*. It set out the Government's plans on the future of devolution in Wales, following a cross-party process led by the Secretary of State to secure political consensus on further devolution to Wales. This includes changing the basis of the Welsh devolution settlement to a reserved powers model to make the settlement clearer and better defined.

Once implemented, the proposals in the Command Paper will give the Assembly important new powers over consents for energy infrastructure, ports, speed limits, and licensing for the exploration of onshore oil and gas.

¹ *Empowerment and Responsibility: Fiscal Powers to Strengthen Wales* <http://webarchive.nationalarchives.gov.uk/20140605075122/http://commissionondevolutioninwales.independent.gov.uk/files/2013/01/English-WEB-main-report1.pdf>

The Assembly will also gain responsibility for matters relating to Assembly Members and how it conducts its business, including its name and size. Responsibility for Assembly and local Government elections in Wales will also be devolved.

The Government also agreed to introduce a floor in the level of relative funding it provides to the Welsh Government in the expectation that the Welsh Government will call an income tax referendum in the new Parliament. The precise level of the floor, and the mechanism to deliver it, will be agreed alongside the next Spending Review.

The Command Paper forms a solid basis for a new Wales Bill in the new Parliament and we expect it to form a key element of the Wales Office's work programme in the next twelve months.

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

Over the past year, the Wales Office has worked with other Government departments and the Welsh Government to ensure that the devolution boundary is respected in the development of UK Government and Welsh Government policy and legislation.

This has included work on a wide range of parliamentary Bills, including the control of invasive species in the Infrastructure Act 2015 and provisions relating to students in private colleges being able to access the Office of the Independent Adjudicator in the Consumer Rights Act 2015.

It has also involved securing the Assembly's consent when required to specific provisions in other Bills, including on the Small Business, Enterprise and Employment Bill and the Wales Bill. We ensured that the UK Government gave a consistent message in cases where the Welsh Government sought the Assembly's consent for provisions in UK Bills which the UK Government considered were outside the Assembly's legislative competence, and therefore unnecessary.

Wales Office Ministers have taken several Statutory Instruments through Parliament. These included the Government of Wales Act 2006 (Amendment) Order 2015, to allow the Assembly to amend Welsh Ministers' duties in terms of sustainable development, and the Human Transplantation (Wales) Act 2013 (Consequential Provision) Order 2015, to ensure that organs donated under the "presumed consent" scheme in Wales could continue to be used for transplant in England and Northern Ireland.

Helping to ensure the seamless delivery of public services for the people of Wales

People in Wales deserve the best possible public services, regardless of whether those services are devolved or reserved. The Wales Office has worked hard to deliver better, more joined-up public services in Wales. Four examples illustrate the kind of work we have been engaged in:

- We facilitated discussions between the Welsh Government and the Department of Health on amendments to the Cross-Border Health Protocol, to ensure that people living in Wales but accessing healthcare provision in England, and vice versa, are not disadvantaged by their geographical location;
- We also engaged with the Department of Health and the Welsh Government on the UK Government's proposals to amend road traffic legislation in the Deregulation Act 2015, to update the definition of "ambulance" so that NHS car and motorbike ambulances can legally avoid speed restrictions which apply to other road vehicles;
- We brought together the Welsh Government, the Department for Education and the Ministry of Defence following publication of the Welsh Government's Additional Learning Needs White Paper in May 2014 to ensure that differences in policy between the two administrations would not disadvantage children who might have to move between England and Wales, such as the children of Armed Forces personnel; and
- Following the passing of the Welsh Government's Social Services and Wellbeing (Wales) Act 2014, we worked closely with the Welsh Government, Ministry of Justice and Home Office to ensure that subsequent regulations provide a joined up approach to safeguarding boards in Wales, which bring together devolved bodies such as local health boards and non-devolved bodies such as the police.

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

Autumn Statement and Budget

Wales Office Ministers have been keen to ensure that the Autumn and Budget Statements benefit Wales. As a result of the Budget 2015, there were further increases in the personal allowance which will lift 167,000 people out of income tax altogether by 2017-18.

Investment in infrastructure and supporting business was a key theme in Budget 2015 and Autumn Statement 2014. Following many discussions between the Wales Office and the Department for Business, Innovation and Skills, the Energy Intensive Industries Compensation scheme was brought forward in Budget 2015 to the earliest opportunity following state aid clearance. This is particularly important to the manufacturing sector in Wales.

As part of Budget 2015, Wales Office Ministers identified an opportunity to reassure road users about the Government's commitment to reducing the Severn Crossings toll once the current concession ends. Through the Wales Office Infrastructure Working Group and other meetings with businesses and the Welsh Affairs Committee, the level of the toll has consistently been raised as a clear challenge for the South Wales economy. As such, Wales Office Ministers understood committing to a reduction in the toll was a priority for the UK Government.

The Severn Crossings will revert to public ownership in 2018 (based on current predictions), presenting an opportunity to amend the tolling arrangements currently in place. Following Wales Office negotiations for Budget 2015, the UK Government committed to reduce the toll by at least as much as VAT in 2018, and to scrap the Category 2 toll for vans and small buses, so that those vehicles pay the same as cars. The Wales Office will continue to work with the Department for Transport as further details and a long term plan for the Crossings are developed.

Budget 2015 also announced that the UK Government will begin negotiations with Cardiff Council to develop a City Deal for Cardiff. The Secretary of State for Wales had argued the case in Government for a Cardiff City Deal, as a way to build on the city's existing strengths and address specific barriers to growth.

Autumn Statement 2014 and Budget 2015 also confirmed the Government's commitment to working with the developers of the Swansea Tidal proposal by committing to negotiate on the *Contracts for Difference*.

Representing Welsh interests in key non-devolved policy areas

In 2014-15 the Wales Office ensured that the interests of Wales were fully taken into account in the development of policy in non-devolved areas.

In November, Wales Office Ministers visited Shotton in Flintshire, the first Jobcentre in Wales to roll out Universal Credit, to see how the programme was supporting job seekers to engage with the labour market to help find work.

They also met regularly with the Chief Constables of the four police forces in Wales, as well as the Police and Crime Commissioners for these areas, to discuss police operational issues and Government policy in Wales.

Wales Office Ministers visited the site of the new North Wales prison in Wrexham to see how work was progressing, and spoke at an Employment and Skills Symposium at Glyndŵr University in Wrexham. The event brought together local authorities, work and education providers from across North Wales and neighbouring counties in England to discuss how to deliver the commitments relating to apprenticeships, work placements and local employment in a coordinated and accessible way.

In July 2014, the Wales Office hosted an Armed Forces roundtable where the Wales Office, Ministry of Defence and Welsh Government and representatives of Hire a Hero, the Royal British Legion and the Confederation of Service Charities discussed the support available to the Armed Forces community in Wales. Following this meeting, in November the Welsh Government announced it would support and promote the Defence Discount Service scheme in Wales. Wales Office Ministers also demonstrated their thanks for the work of the Armed Forces by attending Armed Forces Day events in Wrexham and Cardiff in June 2014.

Acting as the lead within UK Government on Welsh language issues

The Wales Office is the lead UK Government department on Welsh language issues. Regular meetings were held with the Welsh Language Commissioner to discuss current issues around the Welsh language, including the provision of Welsh language services by UK Government Departments.

Between March 2014 and February 2015, the Wales Office lead a review of Welsh language provision across Government and assessed the capacity of UK Government departments to meet the Welsh Government's proposed Welsh language standards.

In partnership with the Government Digital Service, in November 2014 the Wales Office commissioned an independent research project into the experiences of Welsh-speaking users of government digital services. The data gathered from the research will prove invaluable as a basis for improving the Welsh language provision of those services, including on GOV.UK.

In February 2015, a Wales Office Minister delivered a key-note speech at Cardiff University reaffirming the Government's commitment to the Welsh language.

Sustainable Development

This sustainable development report has been prepared in accordance with 2014–2015 guidelines laid down by HM Treasury in 'Public Sector Annual Reports: Sustainability Reporting' published at: www.hm-treasury.gov.uk/frem_sustainability.htm. The focus is on achieving government targets, reducing environmental impact and reducing costs. Priorities include reducing carbon emissions, water consumption and sending waste to landfill.

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

Governance, responsibilities and internal assurance

The Wales Office Management Committee monitored environmental performance at each of its meetings in 2014-15.

Greening Government Commitments

The Greening Government Commitments launched on 1 April 2011 require Departments to take action to significantly reduce environmental impact by 2014-15 (compared with a 2009-10 baseline). These commitments can be found at: <http://sd.defra.gov.uk/gov/green-government/commitments>.

Climate Change Adaptation and Mitigation

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

Carbon Reduction Commitment

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

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

C02 Emissions Tonnes					
	2010/11	2011/12	2012/13	2013/14	2014/15
Air travel	0.37	2.49	21.46	19.8	0.63
Rail travel	15.9	15	13.73	8.66	10.07
Car mileage	1.78	2.05	2.08	2.15	1.91
Gas heating	14.64	13.86	17.59	16.35	10.76
Electricity	33.19	35.04	33.90	32.35	31.63
Waste	1.27	0.86	0.85	0.83	0.87
Total C02 (tonnes)	67.15	69.30	89.61	80.14	55.87
Water Consumption Cubic meters*	320	474	361	869	2224

* The consumption of water has increased in 2014-15 due to a major capital works project at the London accommodation and a water leak.

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 printers with more energy efficient models.

Financial Review

In 2014-15 the Wales Office spent £13.6 billion within Parliamentary Supply Estimates (Spring Supplementary Estimate), primarily as a grant to the Welsh Consolidated Fund.

Financial Performance

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

Movements in Estimate provision during 2014-15

At the start of the year the Wales Office was voted £13,382 billion in its Main Estimate. By the final Single Supplementary Estimate, this had increased to £13,697 billion largely due to a £315,171,000 increase in funding for the Welsh Consolidated Fund (WCF).

Explanation for variances between Estimate and Net Resource Outturn

Wales Office – Resource

Spending in Department Expenditure Limits	Outturn £000	Estimate £000	(Overspend)/ Under-spend £000	Percentage of estimate %
A Wales Office	4,323	4,799	476	10

The underspend of £476k against the Estimate is mainly attributable to the Department carrying vacant posts for a period during the year, efficiency savings, unused non cash budget and unused contingency funds.

Wales Office – Capital

Spending in Department Expenditure Limits	Outturn £000	Estimate £000	(Overspend)/ Under-spend £000	Percentage of estimate %
A Wales Office	117	135	18	13

The under-spend on capital is attributable to unused contingency funds.

Grant payable to the Welsh Consolidated Fund

Spending in Department Expenditure Limits	Outturn £000	Estimate £000	(Overspend)/ Under-spend £000	Percentage of estimate %
Welsh Consolidated Fund	13,547,659	13,692,029	144,370	1

Reconciliation of net resource expenditure between Estimates, budgets and accounts

	2014-15 £000	2013-14 Total £000
Net Resource Outturn (Estimates)	13,552,000	13,486,890
Adjustments to remove non budget items		
Grants to the Welsh Consolidated Fund	(13,547,659)	(13,482,462)
Other		
Total Resource Budget Outturn	4,341	4,428
Of which		
Departmental Expenditure Limit (DEL)	4,323	4,449
Annually Managed Expenditure Limit (AME)*	18	(21)
Adjustments include		
Grants to devolved administrations – Wales	13, 547,659	13,482,462
Consolidated Fund Extra Receipts in the OCS		(1)^
Net Operating Cost (Accounts)	13,552,000	13,486,889

* AME relates to utilisation of an early retirement provision and the creation of a new provision for dilapidations See Note 13. In 2013-14, the AME outturn of £21,277 (rounded to £21k) was £723 below the AME cover which resulted in a breach of the Parliamentary Supply limit for AME.

^ The £ (1) k relates to operating income outside the ambit of the Estimate and does not go through Note SOPS2. See Note SOPS5.

Looking ahead to 2015-16

The new Government provides a unique opportunity to build on the achievements of the last five years: to make Wales a beacon of economic success and reshape devolution in Wales as part of wider constitutional reform to secure the future of the United Kingdom.

The department will continue to focus on growing the Welsh economy, working to renew and enhance Wales's infrastructure – from road and rail to broadband – to support business and attract inward investment and good jobs across the whole of Wales and helping more people get back into work.

The department will deliver the Government's commitment to implement the St David's Day Agreement. We will introduce a Wales Bill in the first legislative session of Parliament to make clearer where the devolution boundary lies by changing the basis of Welsh devolution to a "reserved powers" model. The Bill will strengthen Welsh devolution by devolving powers to the Assembly in areas such as ports, speed limits, sewerage services, fracking licensing and Assembly and local government elections. It will also give the Assembly control of its own affairs, so that the Assembly itself can decide what it should be called and what size it should be.

We will work closely with HM Treasury to introduce a funding floor. The Government committed in the St David's Day Agreement to agree the level of the floor, and the mechanism to deliver it, alongside the next Spending Review. This commitment was made in the expectation that the Welsh Government will call a referendum on income tax devolution in this Parliament.

We will build on the department's improvements and efficiencies that we have made in recent years, continuing to cut waste and find more efficient ways of working. We are currently renewing our Business Plan to focus on delivering the Government's manifesto commitments within tightening budgets. We are actively exploring with other Government Departments how to share better the resources we have to deliver the Business Plan in a more efficient and streamlined way.

Glynne Jones
Accounting Officer

24 June 2015

4 Directors' Report

Wales Office Ministers and Directors'

The Ministers and Directors of the Wales Office during 2014-15 are shown in the table below:-

Wales Office Ministers/Directors
Rt Hon Stephen Crabb MP* – Secretary of State for Wales from 15th July Parliamentary Under-Secretary of State for Wales to 14th July
Rt Hon David Jones MP – Secretary of State for Wales to 14 July
Baroness Randerson* – Parliamentary Under-Secretary of State for Wales
Alun Cairns MP* – Parliamentary Under-Secretary of State for Wales from 15th July
Glynne Jones – Director and Accounting Officer
Sian Osborne – Deputy Director, Private Office from 1st October Deputy Director, Private Office and Communications to 30th September Deputy Director, Policy to 14th July
Geth Williams – Deputy Director, Constitution and Policy from 15th July Deputy Director, Constitution and Corporate Services to 14th July
Allan Ross – Deputy Director, Press and Communications from 1st October
Stephen Hillcoat – Deputy Director Private Office and Communications to 14th July

* Following the 2015 General Election, The Rt. Hon Stephen Crabb MP and Alun Cairns MP were reappointed as Secretary of State for Wales and Parliamentary Under-Secretary of Wales respectively. Lord Bourne of Aberystwyth was appointed as Parliamentary Under-Secretary of Wales.

The Wales Office also had two non-executive board members – David Crawley (lead NEBM) and Ian Summers (NEBM). David Crawley stood down on 31 March 2015 but during the year was the chair of the Wales Office Audit and Risk Assurance Committee and Deputy Chair of the Strategy Board and Management Committee. Ian Summers was a member of all three committees and took over David Crawley's roles on 1 April 2015. Details of all Wales Office committees and membership are outlined in chapter 6 "Governance Statement".

Our Corporate Performance

The delivery of our three objectives as outlined in Chapter 3 is underpinned by six principles of efficiency and good corporate governance. They are:-

- **providing value for money and managing costs effectively.** We review all Service Level Agreements with other departments providing services to the Wales Office to make sure that services are provided efficiently and economically;
- **ensuring good financial management**, with effective financial controls in place;
- **responding accurately and promptly** to public correspondence, Parliamentary Questions, Freedom of Information requests and Parliamentary and Assembly enquiries;
- **maintaining a competent, highly motivated workforce** who are able to participate in the running and future direction of the Wales Office;
- **managing information effectively**, ensuring information held by the Wales Office is managed and protected properly to safeguard the interests of Government and individual members of the public; and
- **creating a pleasant working environment** for all staff in Wales Office buildings.

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

Finance

Of the £13,697 billion Welsh settlement, the Wales Office allocation for 2014-15 was around £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 (£13.6 billion) was the grant to the Welsh Government and Welsh Consolidated Fund.

The Wales Office arranges the transfer of grant payments to the Welsh Consolidated Fund but precisely how that money is spent and on what is a matter for the Welsh Government and National Assembly. 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 audit of those resources.

Efficiency

The Wales Office budget has reduced by one third (33%) in real terms over the spending review period (2010-11 to 2014-15).

To help meet this reduction the Wales Office reviewed its staffing levels and has restructured the teams across the Office. Staff costs represent around 60% of spend in the Department and reductions have been achieved in this area through natural wastage, and running a voluntary early departure scheme in 2011-12 and 2014-15. The Secretary of State also decided to give up the use of his Ministerial car which results in a saving of around £81,000 per annum from 2015-16.

It is down to the professionalism of our staff, and the increasing efficiency in the way we do business, that a reduction in workforce has not impacted on the quality of our service and ability of the Office to deliver its objectives.

The Office is committed to sharing services and expertise with other Government Departments, wherever possible, to both drive down costs and improve resilience. In 2014-15, following a successful pilot to share services in relation to freedom of information requests (FOI) with the Northern Ireland Office this process has now been bedded in across the two offices.

As a small Department, the Wales Office has continued with a cost effective and pragmatic approach to the provision of our internal corporate services, maintaining existing Ministry of Justice (MoJ) framework arrangements and contracts in areas such as security, facilities management, IT and financial services. These arrangements and contracts realise significant benefits in terms of economies of scale and expertise to the Department. We have service level agreements in place with the MoJ for these services.

Pension Liabilities

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

Transparency

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

- spending over £500, including Government Procurement Cards;
- monthly Workforce figures including Salary Costs;
- Senior Civil Service structure and salaries;
- gifts given and received by Ministers (and by the Special Adviser) over £140;
- Ministerial overseas travel;
- hospitality received by Ministers, the Special Adviser and the Director; and
- meetings with external organisations, including the media.

During 2014-15 we dealt with over 140 Freedom of Information (FOI) requests as set out below.

Description	Number
FOI requests received, of which:	149
Responses replied to within 20 working days or within permitted extension	147 (99%)
Internal Review of our response requested	0
Response referred by requestor to the Information Commissioner	0

Our Parliamentary performance over 2014-15 is summarised below:

Target	%
% of named day questions on time	100%
% of ordinary written questions on time	98%

Our performance in handling correspondence during 2014-15 was:

Target	%
Correspondence dealt with within 15 days	94%

Accommodation and Capital works

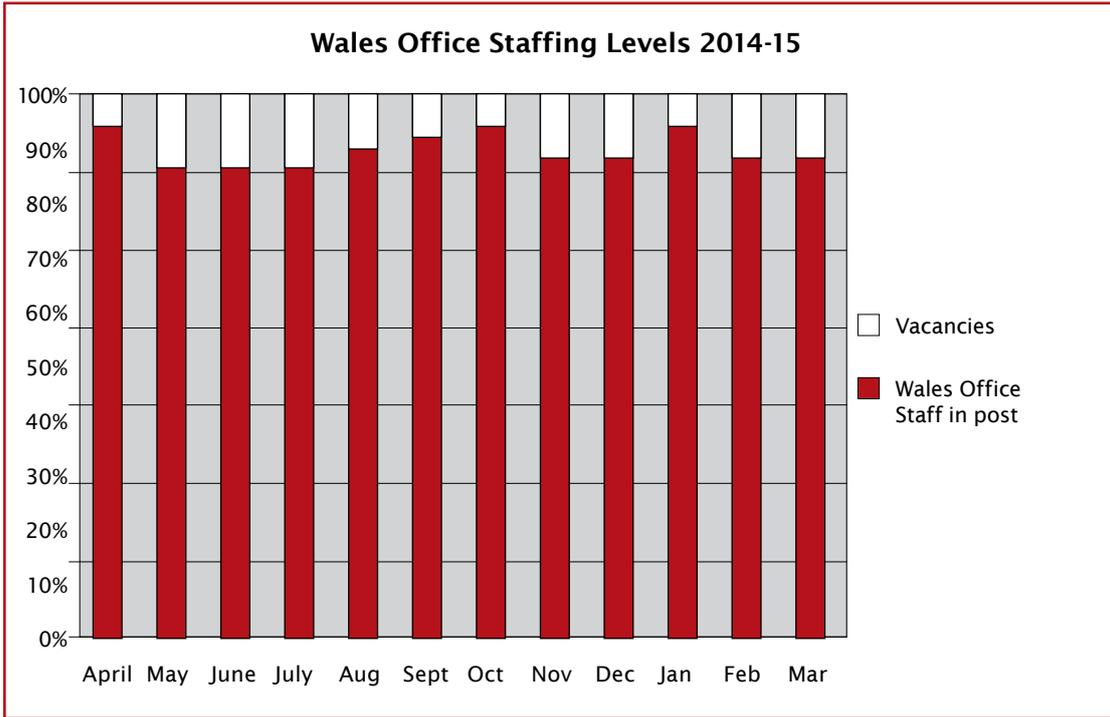
The Department's main office is Gwydyr House, on Whitehall, which was originally a Georgian town house, and is a Grade II* listed building. We obtain our professional advice and support from both the MoJ estates team and from our own managing agents, to ensure that we meet the statutory building regulations 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 44% of its staff) in Wales, located in Cardiff Bay near the National Assembly for Wales and key stakeholders. Both offices meet the requirements of the Equalities Act.

Staff

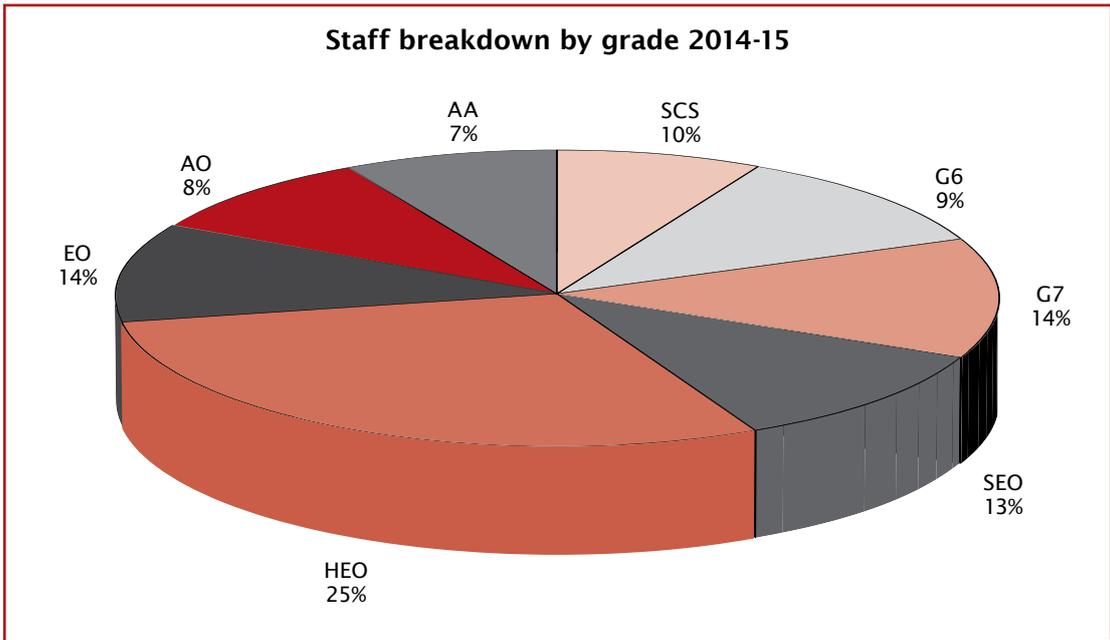
The Wales Office is not an employer in its own right and we therefore continue to receive employment services from the Ministry of Justice. Our current People Plan focuses on several key HR strands: leadership; improved performance management; effective succession planning and talent management; an enhanced learning culture which underpins a leaner organisation; and a commitment to the highest standards in terms of values and integrity.

The Wales Office had a staff complement of 53 staff at the start of 2014-15 but the chart below shows that the full complement was not achieved in any month:



The total number of staff in post as at 31 March 2015 was 46 (45.34 fte), which included two (temporary) agency personnel, one interim manager, four apprentices on fixed term contracts, four staff on loan from the Welsh Government and four on loan from other Government Departments. 44% of staff were based in our Cardiff office and 56% in Gwydyr House, London.

A breakdown of staff by civil service grades as at 31 March 2015 is shown in the chart below:



Recruitment

The Wales Office undertook 11 internal recruitment exercises (that is, internal to the Civil Service) during 2014-15. Two of these exercises (for specialist communications staff) resulted in no applications and so progressed to external campaigns.

Departures, Resignations and Retirements

Over the past year, the main reasons why staff left the Wales Office was due to staff on loan returning to their parent Departments; or staff being promoted within other Government Departments or acquiring alternative posts in the wider civil service. One member of staff retired in year and three others took Voluntary Early Departures.

Senior Civil Service

At the 31 March 2015 there were 4 substantive senior civil servant posts within the Wales Office.

Equal Opportunities

Staff in Senior Civil Service positions	March 2015	March 2014
Proportion of women	1 of 4	1 of 4
Proportion of women at Pay band 2 & above	0 of 4	0 of 4
Proportion of Black and Minority Ethnic (BME)	0 of 4	0 of 4
Proportion of Disabled staff	0 of 4	0 of 4

Staff Below Senior Civil Service Level	March 2015	March 2014
Women	56%	51%
BME	7%	4%
Disabled	2%	0%

Performance Management

The Wales Office is committed to effective performance management. The system introduced civil service wide in 2013-14 was well embedded in 2014-15 with all staff reviews completed on time. Consistency checks and validation meetings were overseen by the Ministry of Justice HR Business Partner to confirm effective compliance with the process and provide an independent view.

Staff Engagement Survey

The Wales Office participates in the annual civil service-wide survey. In Autumn 2014 our overall staff engagement index was 61%, the Wales Office's highest ever score and an increase of 6% from the previous year. The survey questions

are brigaded under nine themes. The top three themes with the highest positive scores were the same as in 2013: Organisational Objectives and Purpose (85%); My Team (81%) and Resources and Workload (74%).

Our top positive scores related to staff:

- having the skills needed to do their jobs effectively (89% positive);
- having a clear understanding of the Office's purpose, its objectives and how their work contributes to them (85-87% positive); and
- feeling interested in their work (85% positive).

Staff confidence in Leadership and Management of Change was evident in terms of the levels of positive scores achieved above High Performing Units (HPUs), ie the upper quartile for the UK Civil Service. This included staff agreeing that:

- 76% had confidence in the decisions made by the Wales Office's Senior Managers (27% above HPUs);
- 80% believing that Senior Managers in the Wales Office are sufficiently visible (20% above HPUs); and
- 74% believing that the Management Board has a clear vision for the future of the Office (23% above HPUs)

A working group has been established to consider what actions the office can take to increase engagement further.

Learning and Development (L&D)

All Wales Office staff have continued to meet the Civil Service commitment to at least five Learning and Development (L&D) days each year.

Volunteering

During the year, a broad range of volunteering opportunities were undertaken including providing support to the NATO Summit. Nine staff took opportunities to support the Prince's Trust with their Heaven's Kitchen events, CV writing and Christmas Party. Wales Office staff also donated 27 gifts for a Young People's event.

Employment of disabled persons

The Wales Office follows the Ministry of Justice (MoJ) Disability Policy and is committed to ensuring equality 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. In December 2014, the office hosted a Ministry of Justice Disability Network meeting.

Sickness absence data

The average number of working days lost (AWDL) in the calendar year at the end of 2014 due to staff sickness was 3.6 compared to 12.9 days at the end of 2013. This is now once again well below the Civil Service average.

Health and Safety

There was one health and safety breach reported during the year. The breach occurred due to contractors working in Gwydyr House failing to mark the room they were working in as "Do Not Enter". As a result the night security guard entered the room and had a minor accident. This incident was reported to the Ministry of Justice Health and Safety team and a report has been presented to the contractors for action.

Security and information security

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

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

There were three security incidents reported during 2014-15. Two involved information security and the other a loss of an encryption token for a laptop. The incidents were fully investigated and appropriate action was taken. The Departmental Security Officer attended all divisional team meetings to remind staff of their responsibilities in regards to information security.

Welsh Language

The Wales Office has in place its own Welsh Language Scheme and reports annually to the Welsh Language Commissioner on performance against the targets specified in the Scheme. The Wales Office hosted a secondee from the Welsh Language Commission during 2014-15 and ensures that a reasonable proportion of staff are recruited who possess bilingual ability. These staff are able to respond to telephone queries and written correspondence in Welsh, when required.

We recognise the importance of the Welsh language in our day to day work, and provide training and guidance for staff accordingly.

A skills audit of Wales Office staff is conducted annually and the results of this provide the foundation for our workforce and succession planning. 11% of staff employed were fully bilingual at the end of 2014-15.

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 3 to the accounts. During the reporting year no payment was made to the auditors for non-audit work (2013-14: £nil).

To the best of the Accounting Officer's and Director'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 he ought to have taken to make himself aware of any relevant audit information and to establish that the Wales Office's auditors are aware of that information.

Glynne Jones
Accounting Officer

24 June 2015

5 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 Senior Civil servants are determined in line with the Cabinet Office Senior Civil Service (SCS) Reward policy.

The Wales Office is not a direct employer. All staff are either Ministry of Justice or on loan from other Government Departments. Performance based non-consolidated performance-related payments for Senior Civil Servants in the Department are determined by the Ministry of Justice Remuneration Committee.

Service Contracts

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

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

Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk

Ministers' salaries and pension entitlements

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

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

Remuneration (salary benefits in kind and pensions)

SINGLE TOTAL FIGURE OF REMUNERATION								
Ministers	Salary (£)		Benefits in kind (to nearest £100)		Pension benefits (to nearest £1000) ¹		Total (to nearest £1000)	
	2014- 15	2013- 14	2014- 15	2013- 14	2014- 15	2013- 14	2014- 15	2013- 14
The Rt Hon Stephen Crabb MP, Secretary of State (From 15 July 2014)*	48,088	nil	nil	nil	15,000	nil	63,000	nil
The Rt Hon David Jones MP, Secretary of State (to 14 July 2014)**	36,292	68,169	nil	nil	6,000	25,000	42,000	93,000
Alun Cairns MP, Parliamentary Under Secretary of State (From 15 July 2014) ***	nil	nil	nil	nil	nil	nil	nil	nil
Baroness Randerson, Parliamentary Under Secretary of State***	nil	nil	nil	nil	nil	nil	nil	nil

Notes to the table:

- The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
- * Stephen Crabb MP was Parliamentary Under-Secretary of State for Wales up to 14 July 2014 and Secretary of State for Wales thereafter. His salary for 2014-15 reflects his appointment to Secretary of State for Wales from 15th July. The full time equivalent of his salary is £67,505.
- ** Includes a payment for loss of office of £16,876 to David Jones MP on departure from the post as Secretary of State for Wales. The full time equivalent of his salary including the payment for loss of office is £75,670.
- *** Following a cabinet reshuffle in July 2014 Alun Cairns MP was appointed Parliamentary Under-Secretary of State for Wales on 15th July 2014. Baroness Randerson was appointed a Parliamentary Under-Secretary of State for Wales in September 2012. The remuneration costs for both Ministers are borne by the Consolidated Fund and the House of Lords respectively.

PENSION BENEFITS					
Ministers	Accrued Pension at age 65 as at 31 March 2015	Real increase in pension at age 65	CETV at 31 March 2015	CETV at 31 March 2014	Real increase/decrease in CETV £000
		£000	£000	£000	£000
The Rt Hon Stephen Crabb MP, Secretary of State for Wales (from 15 July 2014)	3480	0-2.5	36	n/a	4
The Rt Hon David Jones MP, Secretary of State for Wales (to 14 July 2014)	4835	0-2.5	87	78	5
Alun Cairns MP, Parliamentary Under Secretary of State (From 15 July 2014) *	n/a	n/a	n/a	n/a	n/a
Baroness Randerson, Parliamentary Under Secretary of State*	n/a	n/a	n/a	n/a	n/a

Notes to the table:

2014-15 accrued pension is stated as the actual amount not grouped in bands as in previous years. 2013-14 figures have not been restated. The CETV at 31 March 2015 (published) was calculated using actuarial assumptions applicable at the year end. The CETV at 31 March 2015 (recalculated) reflects the actual position based on the crystallisation of those yield assumptions.

- * Following a cabinet reshuffle in July 2014 Alun Cairns MP was appointed as Parliamentary Under-Secretary of State for Wales on 15th July. Baroness Randerson was appointed as Parliamentary Under-Secretary of State for Wales in September 2012. The remuneration costs for both Ministers are borne by the Consolidated Fund and the House of Lords respectively.

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

Ministerial Pensions

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

Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The 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 a 1/50th accrual rate and a lower rate of member 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 MPs' benefits become payable under the PCPF or, for those who are not MPs, on retirement from Ministerial office from age 65. Pensions are re-valued annually in line with Pensions Increase legislation. From 1 April 2014 members paid contributions between 8.4% and 17.9% depending on their level of seniority and chosen accrual rate.

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.

In line with reforms to other public service pension schemes, it is intended to reform the Ministerial Pension Scheme in 2015. The new scheme will be a Career Average pension scheme, have an accrual rate of 1.775%, revaluation based on the change in prices, a Normal Pension age equal to State Pension age and a member contribution rate of 11.1%.

The Cash Equivalent Transfer Value (CETV)

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

The real increase in the value of the CETV

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

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 2014-15 relate to performance in 2013-14 and the comparative bonuses reported for 2013-14 relate to performance in 2012-13.

The Senior Managers were supported by the Chief Accountant and Head of Corporate Services who attends all meetings of the Strategy Board, Management Committee and Audit and Risk Assurance Committee.

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

Single total figure of remuneration										
Officials	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000) ²		Total (£'000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Glynne Jones, Director	80-85	80-85	nil	5-10	nil	nil	39,000	43,000	120-125	130-135
Sian Osborne, Deputy Director, Private Office†	85-90	70-75	nil	nil	15,900	8,400	98,000	10,000	200-205	90-95
Geth Williams, Deputy Director, Constitution and Policy††	65-70	65-70	nil	0-5	nil	nil	19,000	9,000	85-90	75-80
Allan Ross, Deputy Director, Press and Communications from 1 October 2014 †††	35-40	n/a	nil	n/a	nil	n/a	40,000	n/a	75-80	n/a
Stephen Hillcoat, Deputy Director, Private Office and Communications to 15th July††††	20-25	70-75	nil	nil	nil	nil	8,000	16,000	30-35	85-90

Notes to the table:

2. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.
- † Sian Osborne is on loan from the Welsh Government; The Wales Office met the cost of her accommodation whilst working in London. Prior to being appointed Deputy Director Private Office, Sian was Deputy Director Policy to 14th July 2014 and Deputy Director Private Office and Communications to 30th September 2014. Her pension benefits increased in 2015 as a result of increased allowances.
- †† Geth Williams was appointed Deputy Director Constitution and Policy on 15th July 2014. Prior to this appointment he was Deputy Director Constitution and Corporate Services.
- ††† Allan Ross is on loan from the Cabinet Office. He was appointed Deputy Director Press and Communications on 1st October 2014. The full time equivalent of his salary is in the range £70-75k.
- †††† The full time equivalent salary for Stephen Hillcoat is in the range £75-80k. Stephen Hillcoat left the Wales Office under Voluntary Exit terms on 31 March 2015. He received a compensation payment of £133,000. This payment is not disclosed in the table above but is shown in the table below Reporting of Civil Service and other compensation schemes – exit packages.

Non – Executive Directors

Remuneration	Salary exc bonuses (including allowances)		Benefits in kind (to nearest £100)		Total	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
David Crawley, Audit Committee Chair and Deputy Chair, Management Board and Non-Executive Director, Wales Office	10-15	10-15	nil	nil	10-15	10-15
Ian Summers, Non Executive Director, Wales Office	5-10	5-10	nil	nil	5-10	5-10

Pay Multiples

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

The banded remuneration of the highest-paid director in the Wales Office in the financial year 2014-15 was £85-90k (2013-14, £80-85k). This was 2.9 times (2013-14, 2.8 times) the median remuneration of the workforce, which was £29,495 (2013-14, £29,800).

In 2014-15, no employees (2013-14, nil) received remuneration in excess of the highest-paid director. Remuneration ranged from £8,300 to £85,000 (2013-14, £8,300 to £71,200).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Remuneration	2014-15		2013-14	
	Number	£'000	Number	£'000
Median Staff				
Total Remuneration Permanent Staff (excluding highest paid Director)		1,549		1,590
Total Permanent Staff (excluding highest paid Director)	*41		*41	
Median Pay of Permanent Staff		29.5		29.8
Highest Paid Director Median of Pay band (including Benefits in Kind)		102		82.5
As a multiple of Permanent Staff Median Pay		2.9		2.8

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

Service Contracts

Senior Managers	Contract Start date	Unexpired term (years)	Notice period (months)
Glynne Jones, Director	16 January 1989	18	3
Sian Osborne, Deputy Director, Private Office†	7 February 2000	31	3
Geth Williams Deputy Director, Constitution and Policy ††	2 November 1992	15	3
Allan Ross, Deputy Director, Press and Communications from 1 October 2014 †††	10 June 2002	29	3
Stephen Hillcoat, Deputy Director and Principal Private Secretary to 15th July	26 November 1986	19	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.

† Sian Osborne is on loan from the Welsh Government; Prior to being appointed Deputy Director Private Office, Sian was Deputy Director Policy to 14th July 2014 and Deputy Director Private Office and Communications to 30th September 2014.

†† Geth Williams was appointed Deputy Director Constitution and Policy on 15th July 2014. Prior to this appointment he was Deputy Director Constitution and Corporate Services.

†††Allan Ross is on loan from the Cabinet Office. He was appointed Deputy Director Press and Communications on 1st October 2014.

Pension Benefits

Senior Managers	Accrued pension and related lump sum at pension age at 31 March 2015 £000	Real increase in pension and related lump sum at pension age at 31 March 2014 £000	CETV at 31 March 2015 £000	CETV at 31 March 2014 £000	Real increase/decrease in CETV £000
Glynne Jones, Director	25-30 plus lump sum 80-85	0-2.5 plus lump sum 5-7.5	454	406	26
Sian Osborne, Deputy Director, Private Office†	15-20 plus lump sum 50-55	2.5-5 plus lump sum 12.5-15	210	152	47
Geth Williams Deputy Director, Constitution and Policy ††	15-20 plus lump sum 55-60	0-2.5 plus lump sum 2.5-5	334	303	13
Allan Ross, Deputy Director, Press and Communications from 1 October 2014 †††	10-15 plus lump sum 30-35	0-2.5 plus lump sum 5-7.5	130	104	20
Stephen Hillcoat, Deputy Director and Principal Private Secretary to 15 July 2014	25-30 plus lump sum 75-80	0-2.5 plus lump sum 0-2.5	395	376	5

Notes to the table:

† Sian Osborne is on loan from the Welsh Government; Prior to being appointed Deputy Director Private Office, Sian was Deputy Director Policy to 14th July 2014 and Acting Director Private Office and Communications to 30th September 2014.

†† Geth Williams was appointed Deputy Director Constitution and Policy on 15th July 2014. Prior to this appointment he was Deputy Director Constitution and Corporate Services.

†††Allan Ross is on loan from the Cabinet Office. He was appointed Deputy Director Press and Communications on 1st October 2014.

Salary

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

Benefits in kind

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

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for **classic** and 3.5% and 8.85% 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 initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is 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 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.civilservicepensionscheme.org.uk

New Career Average pension arrangements will be introduced from 1st April 2015 and the majority of **classic**, **premium**, **classic plus** and **nuvos** members will join the new scheme. Further details of this new scheme are available at <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>

The Cash Equivalent Transfer Value (CETV)

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

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

The real increase in the value of the CETV

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

Compensation for loss of office

3 staff left under Voluntary Exit terms on 31 March 2015. They received a compensation payment in the range of £10,000-£135,000.

Reporting of Civil Service and other compensation schemes – exit packages

Core Dept			
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	Nil	Nil	Nil
£10,000 – £25,000	Nil	1	1
£25,000 – £50,000	Nil	Nil	Nil
£50,000 – £100,000	Nil	1	1
£100,000 – £150,000	Nil	1	1
£150,000 – £200,000	Nil	Nil	Nil
Total number of exit packages	Nil	3	3
Total cost /£	Nil	211,500	

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

Glynne Jones
Accounting Officer

24 June 2015

6 Governance Statement

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

Status and role of the Wales Office

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

Its Director is designated 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 is accountable to Parliament. It covers the process by which Ministers and senior management monitor the achievement of its objectives and considers whether the activities of the Office have led to the delivery of appropriate, cost-effective outcomes. The framework incorporates a robust system for risk identification and management.

Governance framework

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

Strategy Board

The Wales Office Strategy Board (SB) is responsible for setting the Department's policy priorities and agreeing business objectives. It assists the Secretary of State in delivering his responsibilities to Parliament, but it is the Secretary of State who is held accountable. The SB comprises the Ministerial team, with the Secretary of State as chair; two independent non executive board members

(NEBMs); and the Director, and Deputy Directors of the Department. The Chief Accountant and Head of Corporate Services attends all Strategy Board meetings in an advisory capacity on financial and governance issues. Strategy Board meetings were held in July 2014 and November 2014, under the chairmanship of the Secretary of State.

In 2014-15, the Strategy Board reviewed and agreed updates to the Departmental Business Plan and Strategic Risk Register. The updated Business Plan and Risk Register continue to reflect the Department's priorities, objectives, and key activities.

A review of the governance procedures of the Department was undertaken by the lead NEBM in his role as deputy chair of the Strategy Board in the spring of 2014. The results of his review were presented to the Strategy Board at its July meeting, with the conclusion that there is no case for making changes to the governance structures of the office.

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

Committees Reporting to the Strategy Board

The Strategy Board is supported by two committees:-

I. Management Committee (MC) – This committee is chaired by the Director and comprises the Department's three deputy directors and two NEBMs. The responsibilities of the Management Committee include:-

- providing collective and effective operational leadership to the Office, guided and informed by the Wales Office Strategy Board;
- overseeing the delivery of Ministers' objectives and priorities, as set out in the Wales Office Business Plan, and the management of key associated risks;
- ensuring prudent and effective management of the Wales Office's financial assets and resources.

Throughout 2014-15, policy delivery and performance was overseen by the Management Committee.

II. The Audit and Risk Assurance Committee (ARAC) – The ARAC is chaired by the lead NEBM, and comprises one other NEBM and another independent member. One of the NEBMs is a qualified accountant. The lead NEBM stood down on 31 March 2015 after nearly 10 years in post. His "lead duties" were taken on by the other NEBM who has been in post for 8 years. A new NEBM was appointed with effect from 1 April 2015. The independent member has been in post for 1 year. The Committee operates in accordance with the Treasury's Audit Committee Handbook and meets quarterly. The Committee undertook a full evaluation of its own effectiveness in September 2014, seeking views from both internal auditors and the National Audit Office. The Committee concluded it was operating effectively.

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

Strategy Board

Members	No. of Meetings Attended
Rt Hon Stephen Crabb MP* – Chair Secretary of State for Wales from 15th July Parliamentary Under-Secretary of State for Wales to 14th July	2 of 2
Rt Hon David Jones MP – Chair, Secretary of State for Wales to 14th July	1 of 2
Baroness Randerson* – Parliamentary Under-Secretary of State for Wales	2 of 2
Alun Cairns MP* – Parliamentary Under-Secretary of State for Wales from 15th July	1 of 2
David Crawley – Lead NEBM and Deputy Chair	2 of 2
Ian Summers – NEBM	2 of 2
Glynne Jones – Director	2 of 2
Sian Osborne – Deputy Director, Private Office from 1st October Deputy Director, Private Office and Communications to 30th September Deputy Director Policy to 14th July	2 of 2
Geth Williams – Deputy Director, Constitution and Policy from 15th July Deputy Director, Constitution and Corporate Services to 14th July	2 of 2
Allan Ross – Deputy Director, Press and Communications from 1st October	1 of 2
Stephen Hillcoat – Deputy Director, Private Office and Communications to 15th July	1 of 2

*Following the 2015 General Election, The Rt. Hon Stephen Crabb MP and Alun Cairns MP were reappointed as Secretary of State for Wales and Parliamentary Under-Secretary of Wales respectively.

Lord Bourne of Aberystwyth was appointed as Parliamentary Under-Secretary of Wales.

Management Committee

Members/Attendees	No. of Meetings Attended
Glynne Jones – Director, Chair	5 of 6
David Crawley – Lead NEBM and Deputy Chair	6 of 6
Ian Summers – NEBM	6 of 6
Sian Osborne – Deputy Director, Private Office from 1st October Deputy Director, Private Office and Communications to 30th September Deputy Director Policy to 14th July	4 of 6
Geth Williams – Deputy Director, Constitution and Policy from 15th July Deputy Director, Constitution and Corporate Services to 14th July	5 of 6
Allan Ross – Deputy Director, Press and Communications from 1st October	2 of 6
Stephen Hillcoat – Deputy Director, Private Office and Communications to 15th July	2 of 6

The Chief Accountant and Head of Corporate Services attends all Strategy Board and Management Committee meetings in an advisory capacity on financial and governance issues.

Audit and Risk Assurance Committee

Members	No. of Meetings Attended
David Crawley – Lead NEBM, Chair	3 of 4
Ian Summers – NEBM	4 of 4
Chris Southworth ¹ – Independent Member	4 of 4

Footnotes

Note 1: Chris Southworth is a Deputy Director, Economy Group from the Northern Ireland Office. He was appointed to the Committee in March 2014.

Other Committee

The Wales Office also has a Health and Safety (H&S) Committee with a remit to:

- advise the Management Committee 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 Committee, chaired by the Head of Corporate Services, met twice during 2014-15. It considered a range of issues, including accident at work statistics and staff training as fire wardens and first aiders.

Accounting Officer role

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

The Accounting Officer is expected to take personal responsibility for:-

- regularity and propriety, including seeking HM Treasury approval for any expenditure outside the normal delegations;
- affordability and sustainability, respecting agreed budgets and avoiding unaffordable long term commitments;
- value for money assessments;
- being held accountable to Parliament through the Public Accounts Committee (PAC).

The Accounting Officer is expected to ensure that the Department operates effectively, complies with all relevant legislation and guidance and displays a high standard of probity. The Wales Office 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 suppliers and business counterparts fairly and honestly; and
- give timely, transparent and realistic accounts of its business.

Decision-making

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

Financial management

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

Decision taking and business management

The Wales Office is organised into four divisions to deliver its functions:

1. Constitution and Policy
2. Private Office
3. Press and Communications
4. Corporate Services

Each of these is headed by a senior member of staff who reports to the Director. Formal budgets were delegated by the Director to each Deputy Director in their roles as heads of division.

Divisional budgets were monitored monthly by the senior team and financial reports were reviewed and discussed bi-monthly by the Management Committee. The senior management team met on a regular basis to oversee and co-ordinate day-to-day business, management issues, and budgetary matters.

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

Performance

Internal Audit reviews during the year covered: government procurement cards, stakeholder engagement, follow up report on budget management and efficiency savings; HR Memorandum of Understanding (MoU) with the Ministry of Justice; and corporate governance.

Internal Audit identified a good level of control and found no significant control issues on their reviews and are able to give a moderate level of assurance that the Department's overall risk, control and governance framework is adequate to enable the achievement of its objectives and that the key risks to the Department are being effectively managed.

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

- progress against the Departmental Business Plan;
- strategic risks and Governance;
- Departmental performance;
- Communications Strategy; and
- taking forward Welsh devolution

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

- the Department's risk registers and governance processes;
- Annual Report and Accounts;
- National Loan Fund Accounts; and
- Internal and External Audit reports

Compliance with the Corporate Governance Code

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

- Numbers of NEBMs. After due consideration by the Director, Management Committee and the Audit and Risk Assurance Committee, and following discussions with Internal Audit and National Audit Office, the Department decided not to increase the number of its NEBMs. It is felt the current membership is proportionate to the size of the Department (around 46 staff). The two NEBMs in post during 2014-15 brought extremely valuable skills and experience which are particularly relevant to the Wales Office. The lead NEBM has extensive experience in public finance as a former Accounting Officer and has wide current experience of Board membership at a senior level in substantial public and charitable organisations. The second NEBM – a qualified accountant – has considerable experience of public accounting and audit at a senior level as well as operating within the devolved public sector in Wales. The Department, in consultation with the Cabinet Office, agreed to extend the terms of the current NEBMs to ensure that it has the opportunity to draw further on their experience in the run up to the 2015 General Election and beyond. The lead NEBM stood down on 31 March 2015 and his “lead duties” were taken on by the other NEBM. A new NEBM was appointed with effect from 1 April 2015.
- To ensure that the Audit and Risk Assurance Committee comprises at least three members, an official from the Northern Ireland Office was appointed as an independent member in March 2014. This appointment further strengthened the independence of the committee.
- Wales Office Board Membership does not comprise a qualified financial individual. Due to its size the Wales Office has one qualified financial professional, who attends all Strategy Board and Management Committee meetings in an advisory capacity.
- Following the last review, the Strategy Board concluded that, in view of the nature of the business and the scale of the department, there was no case for requiring four meetings per year, and that in general two or three would normally be sufficient. The Board met twice in 2014-15.

Risk identification and management

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

The robustness of this system continues to be illustrated by the Department's management of its key strategic risks. In 2014-15, these have included delivering the Command Paper '*Powers for a Purpose: Towards a lasting Devolution Settlement for Wales*' by St David's Day 2015. The Wales Office put in place a Project Plan and set up a Programme Board with representatives from key Government Departments to oversee the work. Wales Office officials worked with other officials in key Departments at a policy and legal level so the programme could successfully be delivered by St David's Day. The risks associated with this work were regularly reviewed by the Department's Management Committee, helping to ensure the work was prioritised and delivered by the agreed date.

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

Capacity to handle risk

Risks were identified and articulated both at a strategic and an operational level by the Management Committee and at working level by the teams within the four divisions. The branch risk registers underpinned and fed into the overarching Departmental Risk Register which was reviewed bi monthly by the Management Committee and at both Strategy Board meetings. The Audit and Risk Assurance Committee scrutinised the handling of key risks at its quarterly meetings and took a more in-depth look at selected individual risks and how they were managed.

Risk and control framework

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

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

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

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

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

Security and information security

This is covered in the Directors Report. Please see page 26.

Information Risk and Assurance

Information Assets

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

Risks and their Management

The Wales Office has identified the following specific information risks:

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

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

Management of risks

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

- staff have been given guidance on information handling which is specific to the Department, and which details their responsibilities. Staff are periodically reminded about the rules for safeguarding information when travelling;
- the Department has a clear desk policy for both of our offices that requires sensitive information to be stored appropriately; and
- staff have been made aware of procedures to report losses of sensitive information and items such as smart phones.

Risk 2: Compromise of information by unauthorised access

- an access control system is maintained for records management that limits users to specific files only. Access is periodically reviewed; and
- HR files are secured in locked cabinets and in a lockable room.

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

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

Risk 4: Loss of information due to theft:

- it is mandatory for all staff to lock away all classified documents in secure cabinets. A check is undertaken daily to ensure that all cabinets are locked; and
- the clear desk policy is designed to prevent documents being left unsecured, and a number of spot-checks have shown that the policy is being adhered to.

Outcomes during 2014-15

There were no data losses during 2014-15. All staff completed mandatory information training by the end of March 2015.

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

The Committee paid close attention throughout the year to finance and accounting, governance and risk management issues of the Wales Office. Based on its work over this reporting period, the Audit Committee is able to provide a high level of assurance on the adequacy of audit arrangements for the Wales Office (internal and external) and on the assurances provided to the Accounting Officer in respect of the governance, risk management and control arrangements operated in the Office.

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 address the risk or the nature of the risk is fully understood and accepted.

Glynne Jones
Accounting Officer

24 June 2015

7 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.

8 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 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 2015 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 2015 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 Strategic Report, Directors Report 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.

**Sir Amyas C E Morse
Comptroller and Auditor General**

25 June 2015

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

9 Financial Statements

Statement of Parliamentary Supply

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FRM) requires the Wales Office to prepare a Statement of Parliamentary Supply and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit.

Summary of Resource and Capital Outturn 2014-15

Note	2014-15 Estimate			2014-15 Outturn			2014-15 Voted Outturn compared with Estimate: saving/ (excess)	2013-14 Outturn	
	Voted £000	Non-Voted £000	Total £000	Voted £000	Non-Voted £000	Total £000			Total £000
Departmental Expenditure Limit									
-Resource	SOPS2.1	4,799	-	4,799	4,323	-	4,323	476	4,449
-Capital	SOPS2.2	135	-	135	117	-	117	18	564
Annually Managed Expenditure									
-Resource	SOPS2.1	20	-	20	18	-	18	2	(21)
-Capital	SOPS2.2	-	-	-	-	-	-	-	-
Total Budget		4,954	-	4,954	4,458	-	4,458	496	4,992
Non-Budget									
-Resource	SOPS2.1	13,692,029	-	13,692,029	13,547,659	-	13,547,659	144,370	13,482,462
Total		13,696,983	-	13,696,983	13,552,117	-	13,552,117	144,866	13,487,454
Total Resource		13,696,848	-	13,696,848	13,552,000	-	13,552,000	144,848	13,486,890
Total Capital		135	-	135	117	-	117	18	564
Total		13,696,983	-	13,696,983	13,552,117	-	13,552,117	144,866	13,487,454

Net cash requirement 2014-15

Note	Estimate £000	Outturn £000	2014-15 Outturn compared with Estimate: saving/ (excess) £000	2013-14 Outturn £000	
Net cash requirement	SOPS4	13,696,743	13,552,401	144,342	13,486,820

Administration costs 2014-15

	2014-15 Estimate £000	2014-15 Outturn £000	2013-14 Outturn £000
SOPS3	4,739	4,298	4,384

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

Explanation of variances between Estimate and Outturn are given in SOPs Note 2.2 and the Strategic Report on pages 16 to 17

The notes on pages 67 to 89 form part of these accounts

Notes to the Departmental Resource Accounts (Statement of Parliamentary Supply)

SOPSI. Statement of accounting policies

The Statement of Parliamentary Supply and supporting notes have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The Statement of Parliamentary Supply accounting policies contained in the FReM are consistent with the requirements set out in the 2014-15 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

SOPSI.1 Accounting Convention

The Statement of Parliamentary Supply and related notes are presented consistently with Treasury budget control and Supply Estimates. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system, and the consequential presentation of Supply Estimates and the Statement of Parliamentary Supply and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SOPSI.2 Comparison with IFRS based accounts

Many transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are a number of differences. A reconciliation of the department's outturn as recorded in the SoPS compared to the IFRS-based SoCNE is provided in SoPS note 3.2.

SOPS1.2 Provisions – Administration and Programme expenditure

Provisions recognised in IFRS-based accounts are not recognised as expenditure for national accounts purposes until the actual payment of cash (or accrual liability) is recognised. To meet the requirements of both resource accounting and national accounts, additional data entries are made in the Statement of Parliamentary Supply across AME and DEL control totals, which do not affect the Statement of Comprehensive Net Expenditure. As the Administration control total is a sub-category of DEL, Administration and Programme expenditure reported in the Statement of Parliamentary Supply differ from that reported in the IFRS-based accounts. A reconciliation is provided in SoPS note 3.2.

SOPS2. Net Outturn

SOPS2.1 Analysis of net resource outturn by section

	Administration				Programme				2014-15 Outturn	2014-15 Estimate	2013-14 Outturn
	Gross	Income	Net Total	Gross	Income	Net Total	Net Total	Net Total	Net Total	Net Total	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)											
Voted											
A Wales Office	4,331	(51)	4,280	43	-	43	4,323	4,799	476	476	3,936
B Commission on Devolution*	-	-	-	-	-	-	-	-	-	-	513
Total Voted expenditure in DEL	4,331	(51)	4,280	43	-	43	4,323	4,799	476	476	4,449
Annually Managed Expenditure (AME)											
Voted expenditure	18	-	18	-	-	-	18	20	2	2	(21)
C Provisions	18	-	18	-	-	-	18	20	2	2	(21)
Total; Voted expenditure in AME	18	-	18	-	-	-	18	20	2	2	(21)
Non-Budget Spending											
D Grant payable to the Welsh Consolidated Fund	-	-	-	13,547,659	-	13,547,659	13,547,659	13,692,029	144,370	144,370	13,482,462
Total for Estimate:	-	-	-	13,547,659	-	13,547,659	13,547,659	13,692,029	144,370	144,370	13,482,462
Total voted in Estimate	4,349	(51)	4,298	13,547,702	-	13,547,702	13,552,000	13,696,848	144,848	144,848	13,486,890

*The Commission on Devolution in Wales completed its work on 31 March 2014.

The notes on pages 67 to 89 form part of these accounts

SOPS2.2. Analysis of net capital outturn by section

	2014-15 Outturn			2014-15 Estimate	Net Total compared with Estimate adjusted for virements		2013-14 Outturn
	Gross	Income	Net	Net Total	Net Total compared with Estimate		Net
	£000	£000	£000	£000	£000	£000	£000
Spending in Departmental Expenditure Limits (DEL)							
Voted expenditure							
A Wales Office	117	-	117	135	18	18	564
Total Voted Expenditure in DEL	117	-	117	135	18	18	564
Total for Estimate:	117	-	117	135	18	18	564

The notes on pages 67 to 89 form part of these accounts

SOPS3. Reconciliation of outturn to net operating cost and against Administration Budget

SOPS3.1 Reconciliation of net resource outturn to net operating cost

		<u>2014-15</u>	<u>2013-14</u>
		<u>Outturn</u>	<u>Outturn</u>
	Note	<u>£000</u>	<u>£000</u>
Total resource outturn in Statement of Parliamentary Supply			
Budget	SOPS2.1	4,341	4,428
Non-Budget	SOPS2.1	13,547,659	13,482,462
		<u>13,552,000</u>	<u>13,486,890</u>
Add:			
Capital grants (net of EU contributions)		-	-
Other		-	-
		<u>-</u>	<u>-</u>
Less:			
Income payable to the Consolidated Fund		-	(1)
Other		-	(1)
		<u>-</u>	<u>(1)</u>
		<u>-</u>	<u>(1)</u>
Net Operating Costs in Consolidated Statement of Comprehensive Net Expenditure			
		<u>13,552,000</u>	<u>13,486,889</u>

The notes on pages 67 to 89 form part of these accounts

SOPS3. Reconciliation of outturn to net operating cost and against Administration Budget

3.2 Outturn against final Administration budget and Administration net operating cost

	Note	<u>2014-15</u> £000	<u>2013-14</u> £000
Estimate Administration Costs Limit		4,739	5,160
Outturn – Gross Administration Costs		4,349	4,415
Outturn – Gross Income relating to Administration Costs		(51)	(30)
Outturn – Net Administration Costs		<u>4,298</u>	<u>4,385</u>
Reconciliation to operating costs:			
Less: provisions utilised (transfer from Programme)		-	-
Less: Other		-	(1)
Administration Net Operating Costs		<u>4,298</u>	<u>4,384</u>

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

The notes on pages 67 to 89 form part of these accounts

SOPS4. Reconciliation of Net Resource Outturn to Net Cash Requirement

	Note	Estimate	Outturn	Net total outturn compared with Estimate saving/ (excess)
		<u>£000</u>	<u>£000</u>	<u>£000</u>
Resource Outturn	SOPS2.1	13,696,848	13,552,000	144,848
Capital Outturn	SOPS2.2	135	117	18
Accruals to cash adjustment				
<i>Adjustments to remove non-cash items:</i>				
Depreciation		(140)	(131)	(9)
New provisions and adjustments to previous provisions		(40)	(40)	-
Departmental Unallocated Provision				
Supported capital expenditure (revenue)				
Prior Period Adjustments				
Other non-cash items		(80)	(29)	(51)
<i>Adjustments for NDPBs:</i>				
Remove voted resource and capital				
Add cash grant-in-aid				
<i>Adjustments to reflect movements in working balances:</i>				
Capital accruals			539	(539)
Increase/(decrease) in stock				
Increase/(decrease) in receivables			62	(62)
(Increase)/decrease in payables			(139)	139
Use of provisions		20	22	(2)
Removal of non-voted budget items:				
Consolidated Fund Standing Services				
Other adjustments				
Net cash requirement		<u>13,696,743</u>	<u>13,552,401</u>	<u>144,342</u>

The notes on pages 67 to 89 form part of these accounts

SOPS5. Income payable to the Consolidated Fund

SOPS5.1 Analysis of Income payable to the Consolidated Fund

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

	Note	Outturn 2014-15		Outturn 2013-14	
		Income	<i>Receipts</i>	Income	<i>Receipts</i>
		£000	£000	£000	£000
Operating income outside the ambit of the Estimate - Forfeited Assembly Election Deposits	5	-	-	1	1
Excess income	5	-	-	-	-
Total income payable to the Consolidated Fund		-	-	1	1

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:

	2014-15	2013-14
	£000	£000
Income collected by the Welsh Government and due to the Consolidated Fund	18,358	25,315
	18,358	25,315
Amount payable to the Consolidated Fund	18,358	25,315
Balance held at start of year	-	-
Payments into the Consolidated Fund	18,358	25,315
Balance held on trust at the end of the year	-	-

The income for 2014-15 arises from repayment of Student Loans £18,348,000, Tai Cymru £8,000 and Bank Interest £2,000.

The total income paid into the Consolidated Fund as at 31st March 2015:

2014-15	2013-14
£000	£000
18,358	25,316
18,358	25,316

The notes on pages 67 to 89 form part of these accounts

Statement of Comprehensive Net Expenditure For the year ended 31 March 2015

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

		2014-15	2013-14
	Note	Core Department	Core Department
		<u>£000</u>	<u>£000</u>
Administration Costs:			
Staff Costs	2.1	2,695	2,761
Other costs	3	1,654	1,654
Income	5	(51)	(31)
Programme Expenditure			
Staff Costs	2.1	-	-
Other costs	4	13,547,702	13,482,505
NLF interest payable		1,677	1,686
NLF interest receivable		(1,677)	(1,686)
Net Operating Cost for the period ended 31 March 2015		<u>13,552,000</u>	<u>13,486,889</u>
Total Expenditure		13,552,051	13,486,920
Total Income		(51)	(31)
Net Operating Cost for the year ended 31 March 2015		<u>13,552,000</u>	<u>13,486,889</u>
Other Comprehensive Net Expenditure			
Net Operating Cost		13,552,000	13,486,889
Items that will not be reclassified to net operating costs:			
Net (gain) / loss on revaluation of Property, Plant and Equipment		81	(385)
Total Comprehensive Expenditure for the year ended 31 March 2015		<u>13,552,081</u>	<u>13,486,504</u>

The notes on pages 67 to 89 form part of these accounts

Statement of Financial Position As at 31 March 2015

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

	Note	31 March 2015 £000	31 March 2014 £000
Non-current assets:			
Property, plant and equipment	6	4,749	4,844
Financial assets	10	11,419	11,487
Receivables falling due after more than one year	11.1	33	29
Total non-current assets		<u>16,201</u>	<u>16,360</u>
Current assets:			
Trade and other receivables	11.1	284	226
Cash and cash equivalents	9	49	181
Total current assets		<u>333</u>	<u>407</u>
Total Assets		<u>16,534</u>	<u>16,767</u>
Current liabilities			
Trade and other payables	12.1	(1,098)	(1,630)
Total current liabilities		<u>(1,098)</u>	<u>(1,630)</u>
Assets less net current liabilities		<u>15,436</u>	<u>15,137</u>
Non-current liabilities			
Provisions	13	(86)	(68)
Financial liabilities	12.1	(11,419)	(11,487)
Total non-current liabilities		(11,505)	(11,555)
Assets less liabilities		<u>3,931</u>	<u>3,582</u>
Taxpayers' equity:			
General fund		1,124	607
Revaluation reserve		2,807	2,975
Total taxpayers' equity		<u>3,931</u>	<u>3,582</u>

Glynne Jones
Accounting Officer

24 June 2015

The notes on pages 67 to 89 form part of these accounts

Statement of Cash Flows For the year ended 31 March 2015

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Wales Office during the reporting period. The statement shows how the Wales Office generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Department's future public service delivery. Cash flows arising from financing activities include Parliamentary Supply and other cash flows, including borrowing.

	Note	2014-15 £000	2013-14 £000
Cash flows from operating activities			
Net operating cost	SOCNE	(13,552,000)	(13,486,889)
Adjustments for non-cash transactions	3	200	128
(Increase)/Decrease in trade and other receivables	11.1	(62)	(19)
<i>Less: Movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure¹</i>			7
Increase/(Decrease) in trade and other payables	12.1	(600)	266
<i>Less: Movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure¹</i>		739	(273)
Use of provisions	13	(22)	(21)
Net cash outflow from operating activities		(13,551,745)	(13,486,801)
Cash flows from investing activities			
Purchase of property, plant and equipment		(656)	(19)
(Loan repayments) from other bodies		67	59
Net cash outflow from investing activities		(589)	40
Cash flows from financing activities			
From the Consolidated Fund (Supply) – Current Year ²		13,552,269	13,486,612
Repayment of loans from the NLF ³		(67)	(59)
Net financing		13,552,202	13,486,553
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
		(132)	(208)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities	SOPS5	18,358	25,316
Payments of amounts due to the Consolidated Fund ⁴	SOPS5	(18,358)	(25,316)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund	9	(132)	(208)
Cash and cash equivalents at the beginning of the period	9	181	389
Cash and cash equivalents at the end of the period	9	49	181

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

The notes on pages 67 to 89 form part of these accounts

Statement of Changes in Taxpayers Equity For the year ended 31 March 2015

This statement shows the movement in year on the different reserves held by the Wales Office, analysed into general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). Financing and the balance from the provision of services are recorded here. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure.

		General Fund	Revaluation Reserve	Total Taxpayers' Equity
	Note	£000	£000	£000
Balance at 31 March 2013		635	2,598	3,233
Changes in accounting policy		-	-	-
Balance at 1 April 2013		635	2,598	3,233
Net Parliamentary Funding				
- Drawn down		13,486,612	-	13,486,612
- Deemed		389	-	389
Unspent Supply drawn down repayable to the Consolidated Fund	12.1	(181)	-	(181)
CFERs payable to the Consolidated Fund		(1)	-	(1)
Comprehensive Net Expenditure for the year	SOCNE (13,486,889)		-	(13,486,889)
Non-cash charges				
Auditor's remuneration	3	29	-	29
Other Reserve Movements				
- Property, Plant & Equipment		-	385	385
- Other		5	-	5
Movements in Reserves				
- Transfers between reserves		8	(8)	-
Balance at 31 March 2014		607	2,975	3,582
Balance at 1 April 2014		607	2,975	3,582
Net Parliamentary Funding				
- Drawn down	SCF	13,552,269	-	13,552,269
- Deemed	12.1	181	-	181
Unspent Supply drawn down repayable to the Consolidated Fund	12.1	(49)	-	(49)
CFERs payable to the Consolidated Fund	5	-	-	-
Comprehensive Net Expenditure for the year	SOCNE (13,552,000)		-	(13,552,000)
Non-cash charges				
- Auditor's remuneration	3	29	-	29
Other Reserve Movements				
- Property, Plant and Equipment		-	(81)	(81)
- Other		-	-	-
Movements in Reserves				
- Transfers between reserves		87	(87)	-
Balance at 31 March 2015		1,124	2,807	3,931

The notes on pages 67 to 89 form part of these accounts

Notes to the Accounts for the Year Ended 31 March 2015

1a) Statement of accounting policies

1.1 Basis of preparation

These financial statements have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM follow International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of the Wales Office for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Wales Office are described below. They have been applied consistently in dealing with items considered material in relation to these accounts.

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

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

1.2 Accounting convention

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

1.3 Operating segments

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

1.4. Property, plant and equipment

Valuation basis

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

Valuation method

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

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

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

Gwydyr House is classified as a grade 2* listed building valued on an ‘Existing Use’ basis in accordance with the Red Book, taking into account the functional obsolescence of the property.

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

Revaluation

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

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

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

Capitalisation threshold – individual assets

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

Capitalisation threshold – grouped assets

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

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

Depreciation

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

Estimated useful asset lives are within the following ranges:

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

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

Disposal of non-current assets

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

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

1.5 Assets under construction

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

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

1.6 Intangible Assets

The Wales Office does not have any intangible assets

1.7 Leases

Finance leases

The Wales Office does not have any finance leases.

Operating leases

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

Arrangements containing a lease

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

1.8 Investments

National Loans Fund (NLF)

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

Government and is a charge on the Welsh Consolidated Fund. Amounts received by the Wales Office are surrendered to the NLF. Outstanding loan balances are included within Trade and other payables and Financial Liabilities.

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 Wales Office is not a direct employer. All staff are either Ministry of Justice or Welsh Government staff and it is the responsibility of these Departments to pay the additional costs of benefits beyond the normal PCSPS of staff who retire early. In specific circumstances where the Wales Office has agreed to meet the costs, early departure costs are provided in full at the point that the agreement is binding. The estimated risk-adjusted cash flows are discounted using HM Treasury's discount rate of 1.3% (2013-14:1.8%) in real terms if material.

1.10 Operating income

Operating income includes both income earned by the Department and income that is surrendered on receipt to the Consolidated Fund as Extra Receipts.

1.11 Consolidated Fund Extra Receipts (CFERs)

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

1.12 Administration and Programme expenditure

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

1.13 Non-cash costs

Audit Fees

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

1.14 Provisions

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

Provisions reflect the best estimate of the expenditure required to settle the obligation. Where the effect of discounting is material, provisions are measured at their present value using the real rate set by HM Treasury, currently 2.2%; by comparison 2013-14 rates were 2.2%.

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

Lease accounting

Judgement is required in the initial classification of leases as either operating leases or finance leases.

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

1.19 Impending application of newly issued accounting standards not yet effective

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

IAS 1- Disclosure Initiative (amendment). effective from 1 January 2016, (not yet EU adopted).

These amendments encourage professional judgements to be used in determining what information to disclose in financial statements and where and in what order information is presented in the financial disclosures. The amendments make clear that materiality applies to the whole of the financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. HM Treasury will review the implications of this amendment and follow the due process nearer the EU adoption date.

IFRS 9 – Financial Instruments (effective from 1 January 2018, not yet EU adopted). The objective of this Standard is to provide users with more useful information about an entity’s expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date of financial instruments. IFRS 9 provided a single classification and measurement approach to all types of financial assets; at amortised costs or at fair value through either the OCI or residually through Profit or Loss. IFRS 9 carries forward unchanged almost all of the accounting requirements in IAS 39 for financial liabilities. The Standard also contains a single forward-looking “expected loss” impairment model which is applied to all financial instruments, and introduces a reformed model for hedge accounting which principally aligns the accounting treatment with risk management activities. The introduction of IFRS 9 is subject to analysis and review by HM Treasury.

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

IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation (amendment). 1 January 2016. This amendment prohibits revenue-based depreciation methods and generally presumes that such methods are an inappropriate basis for amortising intangible assets. This is because a revenue-based method reflects a pattern of economic benefits being generated from the asset, rather than the expected pattern of consumption of the future economic benefits embodied in the asset. HM Treasury will review the implications of this amendment and follow the due process nearer the EU adoption date.

IAS 17 – replacement Leases (ISAB plan to issue by end of 2015). The current proposals include the elimination of the current operating lease categorisation for virtually all leases. Assets and liabilities will be recognised on a “right of use” basis, but two possible exemptions are anticipated, one for short leases (less than 1 year) and the second being for small value assets.

The Boards (ISAB and FASB) jointly published a revised Exposure Draft Leases in May 2013. Following feedback on their proposals they published a project update in February and March 2015. The updates confirmed the definition of a leases under the new Standard. It emphasises that service contracts are not required to be capitalised on the Statement of Financial Position and that the new Standard will include accompanying guidance to help entities whether a

contract (or contains) a lease. HM Treasury will review the implications and follow due process once there is a final standard.

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

2. Staff numbers and related costs

2.1 Staff Numbers and Related Costs

					31 March 2015	31 March 2014
	Permanently Employed Staff	Others	Ministers	Special Advisors	Total	Total
	£000	£000	£000	£000	£000	£000
Wages and salaries	1,500	570	84	81	2,235	2,196
Social security costs	141	-	7	10	158	188
Other pension costs	299	-	-	3	302	377
Sub Total	1,940	570	91	94	2,695	2,761
Less recoveries in respect of outward secondments	-	-	-	-	-	-
Total Net Costs	1,940	570	91	94	2,695	2,761
Of which:						
Charged to Admin Costs	1,940	570	91	94	2,695	2,761
Charged to Programme Costs	-	-	-	-	-	-
	1,940	570	91	94	2,695	2,761

The Commission on Devolution in Wales completed its work on 31 March 2014. The staff costs attributable to the Commission on Devolution in Wales in 2013-14 were:

Wages and salaries	214
Social security costs	22
Other pension costs	42
Sub Total	278
Less recoveries in respect of outward secondments	-
Total Net Costs	278

The notes on pages 67 to 89 form part of these accounts

2.2 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 2015</u>	<u>31 March 2014</u>
Core Department		
Permanent staff	43.0	46.0
Others	6.0	4.0
Ministers	2.0	2.0
Special Advisers	1.0	1.0
Total	<u>52.0</u>	<u>53.0</u>
Core Department Total	<u>52.0</u>	<u>53.0</u>

The average number of staff in post as at 31st March 2015 includes eight staff who were on loan from other Government departments including the Welsh Assembly Government.

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 2014-15, employers' pension contributions of £302k (2013-14: £377k) were payable to the PCSPS at one of four rates in the range 16.7% to 24.3% (2013-14: 16.7% to 24.3%) of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflected past experience of the scheme.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' pension contributions of £0 (2013-14: £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% (2013-14: 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 (2013-14:£0)

There were no retirements during 2014-15 (2013-14: Nil) on the grounds of ill health.

The notes on pages 67 to 89 form part of these accounts

3. Other Administration Costs

	31 March 2015	31 March 2014
Note	£000	£000
Accommodation, maintenance and utilities	482	518
Communications, office supplies and services	56	51
Rentals under operating leases: land and buildings	34	175
Rentals under operating leases: other (plant, machinery, vehicles etc)	96	123
Service concession charges: Property	-	-
Service concession charges: IT	-	-
Service concession charges: Other	19	17
Finance charges on leases and service concession arrangements	-	-
IT services & telecommunications (non-service concession arrangements)	51	65
Other contracted out services	14	17
Transcript fees	-	-
Professional services	3	58
Travel and subsistence	152	200
Voluntary Early Departure Scheme	211	-
Training and other staff related costs	13	36
Bank fees and charges	2	2
Research and development expenditure	-	29
Other administration expenditure	47	89
Events and Conferences	128	-
Allocation of overheads	146	146
Non-cash items		
Depreciation	131	99
Notional charges	-	-
Auditors' remuneration and expenses	29	29
Provision provided for in year	40	-
TOTAL	1,654	1,654

The Commission on Devolution in Wales completed its work on 31 March 2014. The other administration costs attributable to the Commission on Devolution in Wales in 2013-14 were:

Accommodation, maintenance and utilities	-	28
Communications, office supplies and services	-	2
Rentals under operating leases: land and buildings	-	69
Rentals under operating leases: other (plant, machinery, vehicles etc)	-	-
Service concession charges: IT	-	1
Travel and subsistence	-	46
Training and other staff related costs	-	7
Bank fees and charges	-	-
Research and development expenditure	-	29
Other administration expenditure	-	53
TOTAL	-	235

This note relates to the expenditure of the Wales Office. The total will normally be consistent with the costs included in the Administration costs in the Statement of Parliamentary Supply. Differences may arise due to the treatment of provisions.

The notes on pages 67 to 89 form part of these accounts

4. Programme Costs

	<u>31 March 2015</u>	<u>31 March 2014</u>
	<u>£000</u>	<u>£000</u>
<i>Programme Costs – Wales Office</i>		
Lord Lieutenants' expenses	43	43
Funding of the National Assembly for Wales	13,547,659	13,482,462
Total Programme Costs	<u>13,547,702</u>	<u>13,482,505</u>

5. Income

	<u>31 March 2015</u>	<u>31 March 2014</u>
Note	<u>£000</u>	<u>£000</u>
Income		
Rental income	51	30
Total Income	<u>51</u>	<u>30</u>
Payable to Consolidated Fund		
Excess Income	-	-
Forfeited Assembly Election Deposits	-	1
SOPS5.1		
Total payable to Consolidated Fund	<u>-</u>	<u>1</u>
Grand Total	<u>51</u>	<u>31</u>
Of which		
Administration income	51	31
Total	<u>51</u>	<u>31</u>

The notes on pages 67 to 89 form part of these accounts

6. 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>
2014-15						
Cost or valuation						
At 1 April 2014	2,764	1,690	157	259	545	5,415
Additions	-	-	-	-	117	117
Disposals	-	-	-	-	-	-
Revaluations	2	(508)	-	-	-	(506)
Reclassifications	-	662	-	-	(662)	-
Restatements	-	-	-	-	-	-
At 31 March 2015	<u>2,766</u>	<u>1,844</u>	<u>157</u>	<u>259</u>	<u>-</u>	<u>5,026</u>
Depreciation						
At 1 April 2014	-	(329)	(135)	(107)	-	(571)
Charged in year	-	(96)	(18)	(17)	-	(131)
Revaluations	-	425	-	-	-	425
Reclassifications	-	-	-	-	-	-
Restatements	-	-	-	-	-	-
At 31 March 2015	<u>-</u>	<u>-</u>	<u>(153)</u>	<u>(124)</u>	<u>-</u>	<u>(277)</u>
Net book value at 31 March 2015	<u>2,766</u>	<u>1,844</u>	<u>4</u>	<u>135</u>	<u>-</u>	<u>4,749</u>
Net book value at 1 April 2014	<u>2,764</u>	<u>1,361</u>	<u>22</u>	<u>152</u>	<u>545</u>	<u>4,844</u>
Asset financing:						
Owned	<u>2,766</u>	<u>1,844</u>	<u>4</u>	<u>135</u>	<u>-</u>	<u>4,749</u>

Professional valuations of land and buildings, which all relate to Gwydyr House, are undertaken by qualified chartered surveyors from the Valuation Office Agency (VOA) using the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual, known as the 'Red Book'. The last valuation was undertaken on the 31st March 2015. In between professional valuations all property, plant and equipment are valued using indices.

The notes on pages 67 to 89 form part of these accounts

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

	<u>Land</u>	<u>Buildings</u>	<u>Plant & Equipment</u>	<u>Furniture & Fittings</u>	<u>Payments on Account & Assets under Construction</u>	<u>Total</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
2013-14						
Cost or valuation						
At 1 April 2013	2,560	1,512	152	237	-	4,461
Additions	-	-	-	19	545	564
Revaluations	204	178	5	3	-	390
Reclassifications	-	-	-	-	-	-
Restatements	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
At 31 March 2014	<u>2,764</u>	<u>1,690</u>	<u>157</u>	<u>259</u>	<u>545</u>	<u>5,415</u>
Depreciation						
At 1 April 2013	-	(272)	(105)	(90)	-	(467)
Charged in year	-	(57)	(26)	(16)	-	(99)
Revaluations	-	-	(4)	(1)	-	(5)
Reclassifications	-	-	-	-	-	-
Restatements	-	-	-	-	-	-
At 31 March 2014	<u>-</u>	<u>(329)</u>	<u>(135)</u>	<u>(107)</u>	<u>-</u>	<u>(571)</u>
Net book value at 31 March 2014	<u>2,764</u>	<u>1,361</u>	<u>22</u>	<u>152</u>	<u>545</u>	<u>4,844</u>
Net book value at 1 April 2013	<u>2,560</u>	<u>1,240</u>	<u>47</u>	<u>147</u>	<u>-</u>	<u>3,994</u>
Asset financing:						
Owned	<u>2,764</u>	<u>1,361</u>	<u>22</u>	<u>152</u>	<u>545</u>	<u>4,844</u>

The notes on pages 67 to 89 form part of these accounts

7. Capital and other Commitments

7.1 Commitments under Leases

7.2 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 2015</u> <u>Core Department</u> <u>£000</u>	<u>31 March 2014</u> <u>Core Department</u> <u>£000</u>
Obligations under operating leases comprise:		
Land & Buildings:		
Not later than one year	90	6
Later than one year but not later than five years	360	360
Later than five years	182	272
Total	<u>632</u>	<u>638</u>
Other:		
Not later than one year	-	53
Later than one year but not later than five years	-	-
Later than five years	-	-
Total	<u>-</u>	<u>53</u>
Grand Total	<u>632</u>	<u>691</u>

The land and buildings lease relates to lease accommodation for the Wales Office in Cardiff. In 2012-13, the Department entered into two separate leases for different floors in the Cardiff accommodation one for the Wales Office and the second for the Commission on Devolution.

In 2014-15, the Wales Office has entered a peppercorn rent period for the lease and following the completion of their review the Commission on Devolution exited their lease in the first quarter of 2014-15.

The notes on pages 67 to 89 form part of these accounts

8. Financial Instruments

8.1 Categories of Financial Instruments

	Note	31 March 2015 £'000	31 March 2014 £'000
Financial Assets			
Cash	9	49	181
<i>Loans and Receivables < 1yr</i>			
Other receivables (gross)	11.1	76	17
National Loans Fund – capital	11.1	68	67
<i>Loans and Receivables > 1yr</i>			
National Loans Fund	10	11,419	11,487
Carrying amount of Financial Assets		11,612	11,752
Financial Liabilities			
<i>Financial Liabilities at amortised cost</i>			
National Loans Fund – capital	12.1	(11,487)	(11,554)
Carrying amount of Financial Liabilities		(11,487)	(11,554)

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.

The notes on pages 67 to 89 form part of these accounts

9. Cash and cash equivalents

	<u>31 March 2015</u>	<u>31 March 2014</u>
	<u>£000</u>	<u>£000</u>
Balance at 1 April 2014	181	389
Net change in cash and cash equivalents	(132)	(208)
Balance at 31 March 2015	<u>49</u>	<u>181</u>
The following balances were held at:		
Government Banking Service	49	180
Commercial banks and cash in hand	-	1
Total	<u>49</u>	<u>181</u>

The notes on pages 67 to 89 form part of these accounts

10. Investments

	<u>31 March 2015</u>
	<u>Loans funded from National Loans Fund</u>
	<u>£000</u>
Balance at 31 March 2014	11,487
Transfers	(68)
Balance at 31 March 2015	<u>11,419</u>

The notes on pages 67 to 89 form part of these accounts

11. Trade Receivables and other current assets

11.1 Analysis by type

	Note	31 March 2015 £000	31 March 2014 £000
Amounts falling due within one year:			
Trade receivables		43	-
VAT receivables		20	-
Deposits and advances		9	5
Other receivables		4	12
Prepayments and accrued income		10	11
Current part of NLF loan – interest receivable		130	131
Current part of NLF loan – capital		68	67
Total receivables		284	226
Amounts falling due after more than one year:			
Deposits and advances		8	4
Prepayments and accrued income		25	25
Total receivables		33	29

11.2 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Balances with other central government bodies	264	210	-	-
<i>Subtotal:</i> intra-government balances	264	210	-	-
Balances with bodies external to government	20	16	33	29
Total receivables	284	226	33	29

The notes on pages 67 to 89 form part of these accounts

12. Trade Payables and other current liabilities

12.1 Analysis by type

	Note	31 March 2015 £000	31 March 2014 £000
Amounts falling due within one year:			
VAT		-	2
Other taxation and social security		58	58
Trade payables		1	385
Other payables		178	40
Accruals		614	766
Deferred income		-	-
Current part of NLF loan – capital		68	67
Current part of NLF loan – interest payable		130	131
Amounts issued from the Consolidated Fund for supply but not spent at year end		49	181
Total payables		1,098	1,630
	Note	31 March 2015 £000	31 March 2014 £000
Amounts falling due after more than one year:			
NLF loans	10	11,419	11,487
Total payables		11,419	11,487

12.2 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	31 March 2015 £000	31 March 2014 £000	31 March 2015 £000	31 March 2014 £000
Balances with other central government bodies	686	759	11,419	11,487
Balances with local authorities	-	5	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	2	-	-
<i>Subtotal: intra-government balances</i>	686	766	11,419	11,487
Balances with bodies external to government	412	864	-	-
Total payables	1,098	1,630	11,419	11,487

The notes on pages 67 to 89 form part of these accounts

13. Provisions for Liabilities and Charges

	Early Retirement Costs	Leasehold Dilapidation Costs	Total
	£000	£000	£000
Balance as at 1 April 2013	89	-	89
Provided in year	-	-	-
Provisions not required written back	-	-	-
Provisions utilised in year	(21)	-	(21)
Unwinding of discount	-	-	-
Balance as at 1 April 2014	68	-	68
Provided in year	-	40	40
Provisions not required written back	-	-	-
Provisions utilised in year	(22)	-	(22)
Unwinding of discount	-	-	-
Balance as at 31 March 2015	46	40	86

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

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

13.1 Analysis of expected timing of discounted flows

	Early Retirement 2014-15	Leasehold Dilapidation 2014-15
	£000	£000
Not later than one year	22	-
Later than one year and not later than five years	24	-
Later than five years	-	40
Balance as at 31 March 2015	46	40

	Early Retirement 2013-14
	£000
Not later than one year	21
Later than one year and not later than five years	47
Later than five years	-
Balance as at 31 March 2014	68

The notes on pages 67 to 89 form part of these accounts

14. Contingent Liabilities disclosed under IAS 37

The Wales Office does not have any contingent liabilities

15. 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.

*All compensation for senior management has been disclosed in full in the Remuneration Report.

16. Events after the Reporting Period

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

Following the 2015 General Election, The Rt. Hon Stephen Crabb MP and Alun Cairns MP were reappointed as Secretary of State for Wales and Parliamentary Under-Secretary of Wales respectively. Lord Bourne of Aberystwyth was appointed as Parliamentary Under-Secretary of Wales.

Public Expenditure Core Financial Tables

TABLE 1

The Welsh Block 2010-11 to 2015-16

	2010-11 outturn £'000	2011-12 outturn £'000	2012-13 outturn £'000	2013-14 outturn £'000	2014-15 plans £'000	2014-15 outturn (8) £'000	2015-16 plans £'000
Wales Office ⁽¹⁾⁽²⁾							
Wales Office Resource ⁽³⁾	5,074	5,099	5,501	4,406	4,739	4,280	4,347
Wales Office Administration Costs	43	34	57	43	60	43	60
Wales Office - other ⁽³⁾							
Wales Office Resource ⁽³⁾	5,117	5,133	5,558	4,449	4,799	4,323	4,407
Wales Office Capital	130	185	319	564	135	117	25
Wales Office Resource + Capital DEL ⁽³⁾	5,247	5,318	5,877	5,003	4,934	4,440	4,432
<i>less depreciation & impairments</i>	<i>-227</i>	<i>-70</i>	<i>-72</i>	<i>-71</i>	<i>-140</i>	<i>-131</i>	<i>-70</i>
Wales Office DEL ⁽⁴⁾	5,020	5,248	5,805	4,942	4,794	4,309	4,362

TABLE 1B

Welsh Government DEL and Total Welsh Block

	2010-11 outturn £'000	2011-12 outturn £'000	2012-13 outturn £'000	2013-14 outturn £'000	2014-15 plans £'000	2014-15 outturn (8) £'000	2015-16 plans £'000
Welsh Government ⁽¹⁾⁽²⁾⁽⁷⁾⁽⁸⁾							
Welsh Government Resource ⁽³⁾	13,788,840	13,659,943	13,653,771	14,466,418	14,393,975	14,202,686	13,525,478
Welsh Government Capital	1,751,150	1,385,694	1,361,724	1,324,687	1,503,385	1,500,424	1,515,128
Welsh Government DEL ⁽³⁾⁽⁷⁾	15,539,990	15,045,637	15,015,495	15,791,105	15,897,360	15,703,110	15,040,606
<i>less depreciation & impairments</i>	<i>-407,253</i>	<i>-427,664</i>	<i>-406,226</i>	<i>-757,100</i>	<i>-570,338</i>	<i>-445,490</i>	<i>-626,499</i>
Welsh Government DEL ⁽⁴⁾⁽⁷⁾	15,132,737	14,617,973	14,609,269	15,034,005	15,327,022	15,257,620	14,414,107
Wales Office DEL ⁽⁴⁾	5,020	5,248	5,805	4,942	4,794	4,309	4,362
Total Welsh Block ⁽⁴⁾⁽⁵⁾⁽⁶⁾	15,137,757	14,623,221	14,615,074	15,038,947	15,331,816	15,261,929	14,418,469

(1) Totals may not sum due to roundings.

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

(3) Including depreciation & impairments

(4) Resource + capital - depreciation & impairments

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

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

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

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

TABLE 2

Changes to Welsh Government Departmental Expenditure Limit for 2011-12 to 2015-16 since publication of 2013-14 Report & Accounts

	2011-12 £m Outturn	2012-13 £m Outturn	2013-14 £m Outturn	2014-15 £m Provisional Outturn	2015-16 £m Plans
Capital DEL plus Resource DEL: June 2014	15,288.680	15,254.604	15,792.603	15,675.983	15,814.771
Interdepartmental transfers					
from Home Office: Health Migrant Levy	0.000	0.000	0.000	0.000	5.936
to DWP: Independent Living Fund	0.000	0.000	0.000	0.000	-6.600
from DWP: Council Tax Support administration costs	0.000	0.000	0.000	0.000	4.770
to DWP: Training Allowances	0.000	0.000	0.000	-1.000	0.000
from DCMS: Broadband UK	0.000	0.000	0.000	31.275	0.000
from DECC: Energy Agreement	0.000	0.000	0.000	1.456	0.000
to DWP: Reversal of Council Tax Benefit transfer	-243.043	-239.109	0.000	0.000	0.000
Spending Policy					
Budget Exchange	0.000	0.000	0.000	98.244	0.000
Coastal Communities Fund	0.000	0.000	0.000	1.550	0.000
Student Loan Impairment	0.000	0.000	0.000	0.000	0.000
Cash management rebate	0.000	0.000	0.000	0.184	0.000
VAT on Legal Services	0.000	0.000	0.000	-0.106	-0.325
Redistribution of LIBOR Fines to Blue Lights Charities	0.000	0.000	0.000	0.481	0.000
Structural Funds - West Wales	0.000	0.000	0.000	3.807	0.000
Business Rates Barnett Consequentials awarded in Autumn Statement 2012	0.000	0.000	0.000	17.423	0.000
Business Rates Barnett Consequentials awarded in Autumn Statement 2013	0.000	0.000	0.000	0.000	37.778
NATO Summit	0.000	0.000	0.000	0.900	0.000
Student Loans Impairments	0.000	0.000	0.000	47.000	0.000
Barnett Consequentials					
Autumn Statement 2014	0.000	0.000	0.000	1.344	122.077
Budget 2015	0.000	0.000	0.000	0.000	18.199
2014-15 Council Tax Freeze	0.000	0.000	0.000	18.819	0.000
Departmental outturn (underspend compared to final plans)					
Provisional Outturn 2013-14	0.000	0.000	-16.354	0.000	0.000
Final Outturn 2013-14	0.000	0.000	14.856	0.000	0.000
Estimated Outturn 2014-15	0.000	0.000	0.000	-194.250	0.000
Budgeting Changes					
Reclassify spending of Business Rates Income from DEL to AME	0.000	0.000	0.000	0.000	-956.000
Subtotal	-243.043	-239.109	-1.498	27.127	-774.165
Capital DEL plus Resource DEL: June 2015	15,045.637	15,015.495	15,791.105	15,703.110	15,040.606

(1) Totals may not sum due to roundings.

TABLE 3**Cash grant paid to the Welsh Consolidated Fund 2013-14:
Provision and Final Outturn**

	Original Provision £'000	Final Provision £'000	Final Outturn £'000
Expenditure Classified as DEL	15,491,805	15,934,418	15,791,105
Expenditure Classified as AME	317,132	402,883	305,452
Total Managed Expenditure	15,808,937	16,337,301	16,096,557
<i>Less:</i>			
<i>Non Voted expenditure:</i>			
LA Credit Approvals	88,800	88,800	88,800
Other Non-Voted	6,078	6,078	6,078
Resource Non Cash	482,341	809,944	757,100
AME Non-cash	102,146	180,303	133,636
TOTAL NON VOTED TME	679,365	1,085,125	985,614
TOTAL VOTED TME	15,129,572	15,252,176	15,110,943
Voted receipts	-996,549	-947,696	-947,696
NDR Receipts	-944,000	-1,020,000	-1,020,000
Total	-1,940,549	-1,967,696	-1,967,696
Timing Adjustments	325	198,075	341,188
Use of Provisions	100	100	100
Mvts in balances on the Welsh Consolidated Fund			-2,073
TOTAL GRANT TO WELSH CONSOLIDATED FUND	13,189,448	13,482,655	13,482,462

TABLE 4**Cash grant paid to the Welsh Consolidated Fund 2014-15:
Provision and Estimated Outturn**

	Original Provision £'000	Final Provision £'000	Estimated Outturn £'000
Expenditure Classified as DEL	15,675,983	15,897,360	15,703,110
Expenditure Classified as AME	443,069	595,479	404,754
Total Managed Expenditure	16,119,052	16,492,839	16,107,864
Less:			
<i>Non Voted expenditure:</i>			
LA Credit Approvals	88,800	88,800	88,800
Other Non-Voted	6,078	6,078	6,078
Resource Ringfenced Non Cash	506,394	570,338	445,490
AME Non-cash	153,259	259,895	98,684
TOTAL NON VOTED TME	754,531	925,111	639,052
 TOTAL VOTED TME	 15,364,521	 15,567,728	 15,468,812
 Voted receipts			
Contributions from the National Insurance Fund	-946,933	-973,384	-973,384
NDR Receipts	-1,041,000	-1,037,585	-1,037,585
 Timing Adjustments			
Increase / Decrease in Debtors & Creditors	270	135,270	135,270
Mvts in balances on the Welsh Consolidated Fund			-45,454
 TOTAL GRANT TO WELSH CONSOLIDATED FUND	 13,376,858	 13,692,029	 13,547,659

TABLE 5**Cash grant paid to the Welsh Consolidated Fund 2015-16: Provision**

	Original Provision £'000
Expenditure Classified as DEL	15,040,606
Expenditure Classified as AME	647,476
Non Domestic Rates	956,000
Total Managed Expenditure	16,644,082
Less:	
<i>Non Voted expenditure:</i>	
LA Credit Approvals	88,800
Other Non-Voted	6,078
Resource Ringfenced Non Cash	626,499
AME Non-cash	201,635
TOTAL NON VOTED TME	923,012
TOTAL VOTED TME	15,721,070
Voted receipts	
Contributions from the National Insurance Fund	-1,081,564
NDR Receipts	-956,000
Timing Adjustments	
Increase / Decrease in Receivables & Payables	120
Use of Provisions	266
TOTAL GRANT TO WELSH CONSOLIDATED FUND	13,683,892

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