Dear David,

WALES OFFICE 2013-14 MAIN ESTIMATE

Thank you for your letter of 20 May 2013 on the Wales Office’s 2013-14 Main Estimate.

Please find attached at Appendix A, a written response to the questions raised by the Committee on the 2013-14 Main Estimate.

Yours sincerely,

Rt. Hon / Y Gwir Anrh. David Jones MP / AS
Secretary of State for Wales
Ysgrifennydd Gwladol Cymru
Annex A

Wales Office Main Estimate 2013-14: Response to Questions Raised by the Welsh Affairs Committee

Administration Budget

1. The administration budget for the Wales Office in 2013-15 is proposed to be £0.8m higher than actual costs in 2011-12 (£5.1m). What were the main causes that administration budget spending was below budget in 2011-12? Why can this level of spending not be sustained?

The Wales Office’s Spending Review (SR) settlement (covering financial years 2011-12 to 2014-15) includes ring-fenced funding for work to review the boundaries of National Assembly for Wales constituencies. When the settlement was determined, provision was included to enable a review of Assembly constituency boundaries in the event that boundaries of parliamentary constituencies changed as a consequence of the Parliamentary Voting System and Constituencies Act 2011. However, the Electoral Registration and Administration Act 2013 put back any changes to parliamentary constituency boundaries to 2018, meaning that a review of Assembly constituency boundaries is no longer needed during the current Spending Review period. Thus, although the 2013-14 Main Estimate includes £0.66m for a review of Assembly constituency boundaries, this money will not be drawn down.

In terms of our spend in 2011-12, our Annual Report and Accounts of that year, and our subsequent response to the Committee (November 2012), confirmed that the reported underspend against the Estimate was mainly attributable to potential calls on reserves being either resolved or less than had earlier been anticipated, and to an underspend in the Commission on Devolution in Wales.

We anticipate that Wales Office spending will in fact continue to reduce over the SR period in line with agreed decreases in the Department’s budget. Our 2013-14 settlement is lower than the 2012-13 figure if the ring-fenced money for a boundary review is excluded. Reduced levels of spending for “core” Wales Office functions have been such that we have been able to fund the Commission on Devolution in Wales, the costs of which did not form part of our original SR settlement.
Savings over the Spending Review period

2. What objectives has the Wales Office set its Change and Efficiencies Committee? How will the Committee’s success be measured?

The key purpose of the Department’s Change and Efficiencies Committee was to:

- identify and agree the most significant non-staffing efficiencies which could be realised in 2013-14 and 2014-15. The efficiencies should enable the Wales Office to work more cost effectively and strengthen its capacity and capability to deliver a consistently high standard of service to Ministers; and

- devise a clear and timetabled programme of work to implement proposed efficiencies.

The Committee, chaired by a Deputy Director, has identified a number of potential efficiency savings, and its success will be measured by the extent to which those savings are realised in practice.

The Chair of the Committee will provide regular reports on the progress of implementation to Ministers and the Department’s Management Committee. The recommendations are being implemented as quickly as possible during 2013-14, and we expect that the resulting cost savings will help ensure we meet our further spending reductions for 2014-15.

3. In order to achieve the required savings over the Spending Review period, the Office has only to sustain the 2010-11 expenditure levels and achieve a further 4.5% cash savings. Since the Office has a committee to identify and enable the delivery of change and efficiencies, why is it not aiming for bigger efficiency savings?

The Department strives to achieve value for money in all aspects of our work, and to maximise efficiencies in the way we conduct our business, to enable us to deliver a real terms reduction of 33 percent in our budget by 2014-15, as agreed in the last SR. We are delivering these savings against the additional pressure of funding the Commission on Devolution in Wales.
4. What major savings have so far been achieved from the Change and Efficiencies recommendations?

The Change and Efficiencies Committee has to date made a wide range of recommendations. Some recommendations included quantified cost savings, and others related to efficiencies which are more difficult to quantify. The quantified cost savings total some £70,000. The Wales Office is implementing the recommendations as quickly as possible during 2013-14.

5. What level of savings have been made through shared services to date? What additional annual savings does the Office aim to achieve through the shared services proposals and when?

The Wales Office shares a parliamentary unit with the other Territorial Offices (Scotland Office and Northern Ireland Office). The introduction of a shared service improved the resilience within the team, and has helped ensure that parliamentary business in relation to all three Territorial Offices is delivered to a consistently high standard. The service has been subject to an internal audit by Ministry of Justice Internal Auditors (who provide internal audit services to the Wales Office), which found that the shared service had bedded in well. The shared service provides only minimal cost savings to the Wales Office, and any savings incurred have not yet been quantified.

A pilot to establish a shared service between the three Territorial Offices for ministerial correspondence and freedom of information requests will commence in the summer (see question 6 below), although cost savings for the Wales Office are again not expected to be major. The three Territorial Offices are also discussing opportunities for sharing more services over the medium term.

It is worth noting two things. First, the Wales Office already achieves significant efficiencies by sharing a number of its services with the Ministry of Justice, notably its IT and payroll services. The savings we already incur in sharing these services are significantly greater than any savings we are likely to make by sharing such services with the other Territorial Offices instead.

Second, there are often costs associated with moving to a shared service and, in the short term, there may be no, or only very limited, savings for the Department while the changes are embedded.

The Wales Office is fully focused on reducing costs and achieving efficiencies. For example, we are exploring optimising our London accommodation by renting out part of Gwydyr House. It is essential that we work more flexibly, so that we can collaborate with other Departments (including, but not restricted to, the other Territorial Offices) to deliver a more efficient, resilient service and savings for the taxpayer.
6. What are the key risks in sharing processes around ministerial correspondence and freedom of information requests and what action will be taken to mitigate them?

The key risks in establishing any shared service between the three Territorial Offices fall into two categories. First, the risks in setting up the shared service, and maintaining the quality of service whilst bringing service delivery into one location. In terms of sharing the ministerial correspondence and FOI requests functions, the Wales Office, working with the other two Territorial Offices, is developing full scoping plans for the project, taking account of issues such as IT compatibility and standardisation of procedures. We are also putting in place controls to mitigate against failure to deliver the service.

Second, in the more medium term, we need to ensure the new arrangements deliver improvements to the service, in terms of both service delivery and resilience, and are more cost effective. In particular, we need to ensure the sustainability of the service (with, for example, a robust recharge mechanism for the three Territorial Offices) and examine the scope to add to the shared service once it is bedded in.

The Northern Ireland Office will lead the Territorial Office pilot on ministerial correspondence and FOI requests during the summer. The pilot will identify any teething troubles which need to be addressed before the shared service is rolled out in full.

Capital budget

7. Over the last five years the Wales Office has consistently sought a capital budget significantly higher than it has used and underspent significantly. What are the main reasons for the Wales Office’s persistent overestimating of requirements for capital spending?

The Wales Office is based in Gwydyr House, a Grade II* listed building. We are responsible for maintaining the building, in consultation with English Heritage. The Wales Office spent relatively little on Gwydyr House in 2008-9 and 2009-10. In 2010 the building suffered structural failures and, as a consequence, we introduced a four-year (2010-14) programme of building improvements.

The aim of the programme is to ensure the continued structural stability of the building, making it safe for continued occupation. Works undertaken as part of the programme have included structural underpinning to the ground and first floors and the installation of a new lift to improve fire evacuation.

HM Treasury agreed at the 2010 SR to “flat-line” our capital provision to 2013-14, to enable us to carry out the programme of works. At the time of the settlement the programme was not fully costed, and the settlement ensured we had sufficient provision to fund the works without having to approach HM Treasury for further funds from the reserve if the cost of the works exceeded budget. We have sought to keep costs to a minimum to ensure we deliver value for money.
As a Grade II* listed building, a large number of risks need to be built into any refurbishment programme for Gwydyr House. For example, asbestos surveys are needed as part of each project to ensure the safety of workers and staff. We therefore build a large contingency into our capital works projects. The impact of having a large provision is that it allows the Department the flexibility to carry out essential projects without recourse to persistently seeking additional funds from HM Treasury reserves.

8. Why has the capital budget for 2013-14 once again been set at £724,000 (despite previous spending patterns) before falling away in 2014-15? Does this indicate that a planned capital project has been deferred for a number of years and will finally take place in 2014-15, or is there another explanation?

During 2013-14 we are undertaking a significant programme of capital works as part of our four-year programme, including reinforcing the windows at Gwydyr House to improve security. No work has been carried out on the windows since the Wales Office was established in 1999. That will complete the four-year programme of works we initiated in 2010.

9. What capital expenditure does the Wales Office have planned for 2014-15?

In 2014-15 the capital budget reduces dramatically to £25,000. The Department has no plans for significant capital works in 2014-15. We will continue to undertake routine maintenance of Gwydyr House, with the costs for this work being revenue in nature and expended from our administration budget.