30 November 2012

Dear David

Thank you for your letter dated 6 November 2012 on the Wales Office Annual Report and Accounts. Please find attached at Appendix A, a written response to the questions raised by the Committee on the Annual Report and Accounts.

Yours sincerely,

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

David T.C. Davies MP
Chair, Welsh Affairs Select Committee
Welsh Affairs Committee
House of Commons
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ANNEX A

Infrastructure Investment

1. **What commitments have been made by the Government to employ local people in the rail electrification scheme announced for Wales?**

The announcement to electrify the Great Western Mainline and the Valley Lines around Cardiff presents a great opportunity for local workers to benefit directly from this substantial investment in Welsh railways. However, it is important to bear in mind that the railway is owned and upgraded by Network Rail (NR), a private not-for-dividend company and whilst the Government specifies the outcomes required it is for Network Rail to provide them. The UK Government has made clear the value it places on using local labour whilst recognising that Network Rail must work within the framework of UK and EC procurement legislation. It will be for Network Rail to manage this within its wider requirement of ensuring economic and efficient delivery of infrastructure.

2. **How will the Government promote Welsh manufacturing in connection with the new rolling stock required for the South Wales mainline?**

The Government announcement on 25 July to enter into a contract with Agility Trains to manufacture a fleet of 596 new rail carriages for use on the Great Western and East Coast Main Lines included a commitment to building a new depot at Swansea. We hope that there will be opportunities for Welsh business to get involved in the supply chain.

3. **The Annual Report makes no reference to energy infrastructure. What is the Government's assessment of the scope for micro hydro, large scale flow hydro and large scale pumped hydro in Wales?**

Energy infrastructure will play a key role in delivering economic growth in Wales, and can potentially ensure Wales’ role in the worldwide energy generation markets. The recent sale of Horizon Nuclear Power to Hitachi alone represents a £20 billion investment, possibly creating up to 6,000 construction jobs and 1,000 permanent jobs in North Wales.

The most detailed assessment of the potential for hydro projects was undertaken by the Environment Agency in 2010. Based on this report, the UK Government estimates there to be around 1GW of viable resource in the UK, although the quantity of electricity produced by hydro power is of course variable, depending on the amount of annual rainfall.

The Environment Agency identified a theoretical maximum potential for hydro power in Wales of 396MW, most of which would be small scale generation projects, with responsibility devolved to the Welsh Government. As such it is clear that whilst hydro-power has a role to play in providing the UK with a vibrant energy mix we must also focus attention on other energy sources where Wales is well placed to make a significant contribution to the UK’s energy needs.
Policy Measures

4. The Annual Report emphasises the role the Wales Office has played in making new legislative arrangement for Wales work, notably by revising Devolution Guidance Note 9 and drafting the new Devolution Guide Note 17 (p8). How effectively does the Wales Office believe these arrangements and procedures work, given ongoing issues such as the refusal of legislative consent for Westminster bills and the referral of one bill passed by the Assembly to the UK Supreme Court?

The Wales Office believes the arrangements and procedures set out in DGN9 work well. The note provides guidance to UK Government Departments on how to ensure devolution aspects are properly considered when developing policy and preparing Parliamentary Bills. It emphasises the principles of early engagement and information sharing between Government Departments and the Welsh Government, in respect both of Parliamentary and Assembly legislation. The Wales Office worked closely with the Welsh Government in updating DGN9 following the Assembly assuming powers in all twenty of the devolved areas.

We believe that the guidance has supported the effective working relationships which have been formed between the UK Government and the Welsh Government as each take forward their policy and legislative proposals.

We do not consider the referral of the Local Government Byelaws (Wales) Bill to the Supreme Court to be any indication of failure in the procedures set out in DGN9. The Government of Wales Act 2006 sets out a mechanism for the Attorney General, or the Counsel General, to refer the question of whether a Bill, or any provision of a Bill, is within the Assembly’s legislative competence to the Supreme Court for decision. The Government made the referral in the case of the Local Government Byelaws (Wales) Bill to clarify the boundary of the Welsh devolution settlement, and appreciates the clarification the Supreme Court’s judgement provided. We note the judgement stressed it was entirely proper for the Attorney General to refer the Bill to the Supreme Court at that stage.

The process set out in DGN17, to modify the legislative competence of the National Assembly, is, as yet, untested, but again the Wales Office worked closely with the Welsh Government in drafting the guidance.

5. The Annual Report states (p10) that the Wales Office was “particularly involved on the Welfare Reform Bill, which will have a significant impact in Wales”. What precisely was the Wales Office’s involvement in the Welfare Reform Bill?

The Wales Office provided advice on various provisions in the Act, for example those relating to data-sharing between Welsh local authorities and DWP in relation to welfare services (which was necessary as a consequence of changes to the Social Fund and the abolition of Council Tax Benefit). The Wales Office was also involved in the preparation of measures in the Act to enable Welsh Ministers to make consequential amendments to future devolved legislation as a result of the introduction of Universal Credit and in agreeing to the provisions relating to the establishment
of the new Social Mobility and Child Poverty Commission to ensure appropriate provision in respect of Welsh Ministers relationship with the Commission.

The Wales Office also ensured that proper consideration was given by UK Government departments to the need for provision (included in the Local Government Finance Bill) to enable Welsh Ministers to deliver local schemes in Wales when the abolition of Council Tax Benefit through provision in the Welfare Reform Act comes into force.

6. What assessment has been made of the Welfare Reforms impact in Wales?

Continual estimates have been made on the impact of the welfare reforms by DWP through various impact assessments, and where data has been available they have been considered on a Wales only basis.

7. What transitional measures have been put in place to mitigate adverse impacts from the measures in the Welfare Reform Bill, and how will their effectiveness be monitored?

As work gets underway on the introduction of universal credit for example, DWP continues to work with the Welsh Government to ensure a smooth transition; this includes a seminar for all 22 local authorities in Wales on Universal Credit. DWP is also holding awareness sessions across Wales as Personal Independence Payment (PIP) is introduced; so far over 300 have been delivered at various organisations in Wales. DWP continues to monitor and assess the impact of the welfare reforms across the territories.

8. Was the Work Programme discussed as part of the Wales Office’s involvement in the Welfare Reform Bill and, if so, what was the nature of these discussions?

Ministers in the Wales Office provided MPs with the opportunity to question the Government on the Work Programme at the Welsh Grand Committee in October 2011 and held an engagement exercise in Parliament with the then Minister of State for Employment at the Department for Work and Pensions in July 2011.

Administration of Wales Office

9. The Governance Statement does not contain reference to future risks facing the Wales Office, or about evaluation of the management board’s effectiveness. What are the key risks facing the Office? Have there been any lapses in information security? What was the outcome of any board effectiveness evaluation?

The key risks facing the Wales Office are centred on failing to achieve our business objectives. The Office has a robust risk management process in place and risks are regularly audited by the Ministry of Justice internal audit division. The auditors report their findings and recommendations to the Office’s audit and risk assurance sub committee, which is chaired by an independent non-executive board member.

There have been no lapses in information security.
From the start of 2012-13, the Wales Office’s management board was replaced by a Departmental Strategy Board which is chaired by the Secretary of State and which includes the full Ministerial team, the senior management team and the department's 2 non-executive board members (NEBMs). The Strategy Board is supported by sub-committees on the following matters: audit and risk assurance; management; change and efficiency; and health and safety. The next effectiveness evaluation is scheduled for the turn of this financial year, when the new governance structures will have been in operation for around 12 months.

10. The Wales Office had an in-year underspend of £613,000 against its Estimate of £5,572,000, representing an 11% difference. What steps is the Office taking to reduce the inflation of the Estimate?

The reported underspend against the Estimate was because some anticipated or potential costs to the Office budget were either resolved or were less than had originally been envisaged. The Wales Office Estimate is to reduce over the next three financial years in line with the comprehensive spending review (CSR) settlement agreed with HM Treasury. In real terms, the total administration costs budget will decrease by one quarter from 2012-13 to 2014-15.

11. What further efficiencies are planned by the Wales Office and what savings are you hoping to achieve?

The Wales Office has established a Change and Efficiencies Committee which is tasked with making recommendations on the efficiencies to be realised in each of the coming financial years covered by the CSR settlement. A Change and Efficiencies plan is in development and will set out the steps to be taken alongside a clear timetable for achievement.

The largest spend of the Wales Office budget is on staff costs (around 60%). As part of the above work to identify and agree further efficiencies, the Office is currently reviewing its staffing structure to ensure that it has the right skills in the right places to continue to deliver against its Business Plan within a diminishing budget line. This will also involve making greater use of shared services and sources of expertise in other government departments where possible.

In line with its CSR settlement, the Wales Office will be making savings in administration costs of around £550k in 2013-14 and a further £1.1m in 2014-15.

12. During 2011-12, the Wales Office set up a shared team for Parliamentary services with the Scotland and Northern Ireland Office. What plans does the Wales Office have to further develop shared services with the other territorial offices?

The Wales Office continues to look to share services and expertise with the other Territorial Offices where possible, to both drive down costs and improve resilience. A working group comprising officials from all three Offices meets regularly to explore, identify, and assess the functions that can be shared, as well as reviewing the lessons learned from existing shared services, such as Parliamentary services, in order to better inform the assessment process. Some services are more problematic than others for sharing purposes because of various factors such as the different IT and
payroll platforms in each Office, but areas currently being scoped include: the processing of correspondence, the co-ordination of Freedom of Information Act requests, and accommodation services.

**13. Why have accommodation and building rental costs increased by £148,000 compared to 2010-11, an increase of almost a third?**

The increase in accommodation and building rental costs in 2011-12 was due to one-off dilapidation costs incurred as part of the preparations for taking up a new (less expensive) leasehold tenancy for the Wales Office presence in Cardiff, and internal maintenance works undertaken in our Whitehall office at Gwydyr House.

**14. What consideration has been given to sharing London office accommodation with the other territorial offices?**

The Wales Office continues to explore the potential to share accommodation, especially with the Scotland Office, but the most recent scoping exercise identified the need for substantial initial investment especially in relation to IT installation costs (the Offices currently use different IT systems).

**15. The Annual Report notes the positive scores from the Staff Engagement Survey but does not discuss any negative scores. What areas did the Staff engagement Survey Identify as needing improvement? What plans does the Office have to address them?**

The Wales Office along with other participating Departments receives an annual survey highlights report produced by ORC International. This report only provides data relating to positive scores.

In identifying areas for improvement, the Office considers the least positive scores and any areas of substantial change from one year’s results to the next. In the 2011 Survey, the two areas identified for particular focus were Learning and Development and Communication and Change.

The Office has in place an agreed action plan, drawn up in close consultation with staff and focusing on the areas identified above. Progress is reviewed regularly.

**16. The Director of the Wales Office is provided with accommodation in London. What proportion of the year is the accommodation occupied? Do other staff have similar arrangements, either in Cardiff or London? Does the Wales Office meet the cost of any tax on these benefits in kind?**

The occupancy rate for the Director’s temporary accommodation in London is roughly 80% (taking account of annual leave and Bank Holiday/other absences, and an average of one working day per week spent in the department's other office, in Cardiff).
This arrangement is a standard element of the package of assistance provided to civil servants on Detached Duty to the Wales Office (ie civil servants on loan to the Wales Office from another Government Department or a Devolved Administration because of their particular skills or previous experience, and who are required to spend the majority of their working week away from their permanent home for usually at least a year).

There are currently 6 individuals working for the Wales Office on Detached Duty terms.

The Wales Office meets the related tax costs if the loan period for staff based in London on detached duty terms is extended beyond two years.