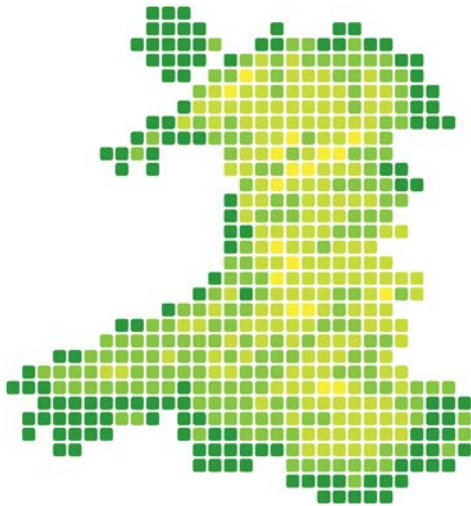


THE LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES



Comisiwn Ffiniau a
Democratiaeth Leol
Cymru



Local Democracy and
Boundary Commission
For Wales

***ANNUAL REPORT AND FINANCIAL
STATEMENTS
2016/2017***

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LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

ANNUAL REPORT 2016/2017

Foreword

The Commission is pleased to present its Annual Report for 2016/17.

The Report contains information about the Commission, its activities and how it was governed during the reporting period. The most important feature of the year was the commencement of undertaking reviews of the electoral arrangements of Wales's principal councils, a task to be completed by 2021.

We hope that the Report will assist in understanding the Commission's work, and how the grant-in-aid was managed.

Owen Watkin OBE DL
Chair
29 August 2017

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1. INTRODUCTION

The Commission

1.1 The Local Democracy and Boundary Commission for Wales (the Commission) is a Welsh Government Sponsored Body (WGSB). The Commission was established in 1974 under the terms of the Local Government Act 1972 as the Local Government Boundary Commission for Wales and renamed under the terms of Section 2 of the Local Government (Democracy) (Wales) Act 2013 (the 2013 Act). The provisions of 2013 Act in respect of the Commission replace those of the 1972 Act.

1.2 The purpose of the Commission is:

To monitor the areas and electoral arrangements relevant to local government in Wales for the purpose of considering whether it is appropriate to make or recommend changes. In carrying out its duties the Commission must seek to ensure effective and convenient local government.

The Commission are required under the 2013 Act to carry out reviews of electoral arrangements of Wales' principal councils at least once every 10 years.

Membership

1.3 Five Commission members served during the year: Mr Owen Watkin, Mr Ceri Stradling, Mr David Powell, Mrs Julie May and Mr Theodore Joloza. Mr Watkin is the Chair and his initial appointment ended on 14 June 2015. In December 2014, the Minister for Public Services, Leighton Andrews AM announced that he had reappointed Mr Watkin for a further period of four years until 14 June 2019. The Commission's Deputy Chair is Mr Ceri Stradling. Mr Stradling and Mr Powell's appointments were extended by the Welsh Government until September 2015 and then for a further four years until 31 August 2019. Both Mrs May and Mr Joloza's appointments are for three years and will end on 31 August 2018.

The Commission also appoints an Independent Audit and Risk Assurance Committee Member. The current Independent Audit and Risk Assurance Committee Member is Mrs Julie James whose appointment ended on 31 August 2016. Mrs James was re-appointed for a further 3 years ending on 31 August 2019. The Commission's Audit and Risk Assurance Committee is chaired by Mr Stradling.

The Commissioners held membership of other public bodies. A register of the Commission members' interests can be found on the Commission's web site at:

<http://ldbc.gov.wales/about/register/>

The Commission's statutory auditor is the Auditor General for Wales.

Contracts exist for the provision of internal audit, accountancy, translation and printing services.

The Secretariat

- 1.4 The Commission's Secretariat is located in Hastings House, Fitzalan Court, Cardiff. The Secretariat consisted of the posts of Chief Executive, Deputy Chief Executive, Finance Manager, Business Support Manager, six Review Officers and four Support Officers.
- 1.5 Mr Steve Halsall is the Chief Executive and the Commission's designated Accounting Officer.
- 1.6 From 1 January 2002 the Commission's Secretariat has also undertaken the responsibility of providing a Secretariat to the Boundary Commission for Wales for its Reviews of the Parliamentary constituencies in Wales. The sponsor department of the Boundary Commission for Wales is the Cabinet Office.

Statutory Duties

Principal Area Boundaries

- i) The Commission may, of its own initiative or at the request of a local authority, conduct a review of one or more principal areas.
- ii) The changes the Commission may recommend are:
 - a) Such principal area boundary changes it considers appropriate, and
 - b) In consequence of any principal area boundary changes such community boundary changes, preserved county changes, community council changes or electoral arrangements as it considers appropriate.

Community Boundaries

- iii) Under specific circumstances contained in the legislation the Commission may conduct a review of one or more communities in a principal area.
- iv) The changes the Commission may recommend are:
 - a) Such community boundary changes it considers appropriate, and
 - b) In consequence of any community boundary changes such community council changes and associated changes to the electoral arrangements of the community or communities under review and the principal area as it considers appropriate.

Preserved Counties

- v) The Commission may conduct a review of one or more preserved counties and may recommend such changes as it considers appropriate.

Principal Area Electoral Arrangements

- vi) The Commission must conduct a review of the electoral arrangements for each principal area at least once every 10 years and must publish a programme which sets out the timetable for the reviews.

- vii) The changes the Commission may recommend are:
 - a) Such changes to the electoral arrangements for the principal area as it considers appropriate, and
 - b) In consequence of electoral arrangement changes such community boundary changes, community council changes, changes to community electoral arrangements and preserved county changes as it considers appropriate.

Review Procedure

- 1.7 Chapter 4 of the 2013 Act lays down procedural guidelines to be followed when undertaking all reviews. The basic stages of a review are:
- i) An announcement of the review's commencement in which initial suggestions and comments are invited by a specified date;
 - ii) The publication of the Commission's draft proposals when comments on them are similarly invited by a specified date; and,
 - iii) The publication of final proposals after which any further comments must be addressed to the Welsh Government.

2 OBJECTIVES

- 2.1 The Commission is a statutory body that is sponsored by the Democracy, Diversity and Remuneration Division of the Welsh Government. As a Welsh Government Sponsored Body the Commission receives an annual remit letter that sets out the Minister for Public Services' priorities for the Commission for the coming year. The Commission must also follow the statutory functions and responsibilities as set out in legislation. The Commission's main statutory function is to make recommendations to Welsh Ministers for effecting changes to local government boundaries and local government electoral arrangements that seek to ensure effective and convenient local government.
- 2.2 The Commission's Corporate Plan agreed in November 2016 sets out the corporate objectives as follows:
- Ensuring principal area electoral arrangements are fit for purpose – developing a programme of electoral reviews in line with Welsh Government policy objectives.
 - Ensuring community boundaries and electoral arrangements are fit for purpose - Work with principal councils to ensure Community boundaries and electoral arrangements are regularly reviewed and coordinated with the programme of electoral reviews.
 - Ensuring the boundaries of principal council areas are fit for purpose – As appropriate review principal area boundaries.
 - Developing the effectiveness and efficiency of our business – Maintain a high level of Corporate Governance, constantly engage with stakeholders to create a reputation for excellence in all that we do and ensure that the skills of the staff are developed and maintained.
 - Ensuring that the Welsh Government's principles in respect of sustainable development, equality and diversity and the Welsh language are embedded in our work.

Targets

- 2.3 The procedures to be followed when undertaking a review are defined by statute, requiring the Commission to inform and consult widely and take into account representations before making any final proposals to the Welsh Government.
- 2.4 Within the legislation the period for representations is defined as a period of not less than 6, nor more than 12, weeks. Targets are set within the period of a review for the stages of publicity and consultation, the production of draft and final reports and the time needed for assessing the issues involved.
- 2.5 The Local Government (Democracy) (Wales) Act 2013 provided for a ten-year programme of electoral reviews. The Commission accordingly devised a ten-year programme of reviews the first of which was to start in January 2014. The Commission on Public Service Governance and Delivery reported to the First Minister on 20 January 2014 recommending a change to the make-up and operation of Wales' 22 Principal Councils. In order to avoid any nugatory work, the electoral review programme was suspended. The Commission commenced its new programme of electoral reviews in January 2017 and must complete all of the

reviews by August 2021 in order to meet the Minister's target date of 2022 as described in paragraph 2.7 below.

2016-17 Remit Letter

2.6 For 2016-17 the Welsh Government Minister for Public Services' Remit Letter issued on 31 March 2016 stated that he expected the Commission to:

1. To be ready to begin its review of electoral arrangements for proposed principal councils as soon as possible, if the direction is received and to complete the review in the given time frame;
2. To prepare to undertake an all Wales review of community council arrangements;
3. To continue its stakeholder engagement in preparation for any reviews; and
4. Continuous review and improvement of its corporate governance.

2.7 On 7 September 2016 the Welsh Government Cabinet Secretary for Finance and Local Government issued a revised 2016-17 Remit Letter to the Commission in light of changes to the Commission's review programme and the legislation under which it would be conducted. These revised objectives were:

1. To recommence the Commission's cycle of electoral reviews under section 29 of the Local Government (Democracy) (Wales) Act 2013 by preparing a schedule of work to review and report on the electoral arrangements of all principal areas in Wales during the next local government term (2017 to 2022);
2. When planning your work programme, to consider reviewing the nine local authorities with outstanding electoral reviews at an early stage in the process;
3. To continue to engage with local authorities and stakeholders on your policy and practice for the reviews;
4. To ensure quality assurance is built in to all aspects of the reviews; and
5. To maintain continuous review and improvement of the Commission's corporate governance.

The activities that were undertaken to deliver the objectives in these areas during 2016-17 are reported in the next section.

3. THE WORK OF THE COMMISSION DURING 2016-17

Meetings

- 3.1 The Commission has a programme of monthly meetings. Eleven Commission and three Audit and Risk Assurance Committee meetings were held during 2016-17.

Principal Area Reviews

- 3.2 The Commission did not undertake any reviews of boundaries between principal authorities during the year.

Community Reviews

- 3.3 The Commission published a final proposals report for the community review of Neath Port Talbot in April 2016. The Commission also made a community review Order under the Local Government (Democracy) (Wales) Act 2013 for Carmarthenshire (Llangennech and Llanelli Rural) and considered The Vale of Glamorgan County Borough Council's draft proposals for their review of the Community of Sully and Lavernock.

Seaward Boundary Reviews

- 3.4 During 2016-17 the Commission published a Seaward Boundary Reviews: Policy and Practice document in January 2017. The Commission commenced the initial stage of a review of the seaward boundaries of the County Borough of Neath Port Talbot and the City and County of Swansea in January 2017.

Reviews of Electoral Arrangements

- 3.5 During 2016-17 the Commission Published their Policy and Practice for the review of electoral arrangements for Welsh principal councils and held meetings with Ceredigion, Gwynedd, Powys and Conwy Councils in preparation for the initial stages of the reviews of the electoral arrangements for those principal authorities.

2016-17 Operational Plan

- 3.6 In their 2016-17 Operational Plan the Commission responded to their 2016-17 Remit Letter by stating how they intended to fulfil the Cabinet Secretary's requirements. The following details the proposed actions and to what extent they were fulfilled:

Ensuring that appropriate plans and resources were in place in preparation for undertaking reviews of the electoral arrangements of principal councils.	The Commission drafted its budget forecasts, review timetable and policy and practice report and agreed them with Welsh Government and the Cabinet Secretary. A detailed project plan for the review timetable was also finalised together with a risk register for the review of each principal council.
Engaging with local authorities and stakeholders on the policy and practice for the reviews.	The Commission met with officials of the Welsh Local Government Association to discuss the draft electoral reviews policy and practice report in October 2016.

To maintaining a dialogue with stakeholders in order to exchange information in the preparation for and the operation of reviews.	During 2016-17 the Commission met with officials of the Welsh Local Government Association, One Voice Wales, the Association of Electoral Administrators, the North and Mid Wales Association of Local Councils and Welsh Government.
Meeting Ceredigion County Council and starting the review of their electoral arrangements.	The Commission met with the Council's Chief Executive and council leaders and representatives of the town and community councils during December 2016 and January 2017.
Meeting Gwynedd County Council and starting the review of their electoral arrangements.	The Commission met with the Council's Chief Executive and council leaders and representatives of the town and community councils during January and February 2017.
Meeting Conwy County Borough Council in preparation for the review of their electoral arrangements in 2017-18.	The Commission met with the Council's Chief Executive and officers during February 2017.
Meeting Powys County Council and starting the review of their electoral arrangements.	The Commission met with the Council's Chief Executive and council leaders and representatives of the town and community councils during February and March 2017.
Reviewing on a quarterly basis in May, July, November and February the Commission's governance processes for producing the Governance Statement.	During 2016-17 this review process was undertaken on 4 May 2016, 10 August 2016, 22 November 2016 and 15 February 2017. It is considered that the governance processes were reviewed sufficiently to allow the Accounting Office to draft the Governance Statement.
Assessing Operational Risks at Team and Management meetings and where necessary feeding into the Corporate Risks that are to be considered at each Commission meeting.	This was done at every monthly team meeting where staff were asked to review the Operational Risk Register and feed-back any comments to senior management. In addition to this, senior management reviewed the Operational Risk Register in December 2016.
Scheduling at least 3 Audit and Risk Assurance Committee meetings during the year to monitor and evaluate overall governance and risk management arrangements in July, November and February.	This was done on 27 July 2016, 23 November 2016 and 20 February 2017.
Ensuring quality assurance is built in to all aspects of the reviews.	Detailed desk instruction for the electoral reviews were continuously revised and updated. Checklists covering important actions for each review were maintained. The Deputy Chief Executive undertook manual checks, proof reading and overall monitoring of the review work and regular progress reports are presented to the Board.

Corporate Governance

- 3.7 Each quarter the Chief Executive assessed the Commission's processes for producing the Governance Statement.
- 3.8 A system of financial reporting was operated that includes:

- Monthly budget reports signed off by the Chief Executive;
- Month end processes signed off by the Chief Executive;
- Fixed Asset Register checking; and
- Budget report to each Commission meeting.

3.9 Corporate Risks were considered at each Commission meeting. Operational Risks were assessed at Team and Management meetings and where necessary elevated onto the Corporate Risk Register. The Audit and Risk Assurance Committee regularly assessed the risk assessment procedures. An item on Risk Management was considered at each Commission meeting and at each Audit and Risk Assurance Committee meeting. The internal audit conducted during the year gave a substantial assurance for Revenue and Receivables and moderate assurance ratings for Information Security and IT General Controls.

3.10 During 2016-17 the Commission adopted Equality Impact Assessment procedures for its policies and practices in line with Welsh Government Guidance and completed its annual Welsh Language Annual Monitoring Report. In March 2016 the Commission retained its Level 2 rating for the Green Dragon Environmental Standard.

Other Meetings

3.11 During the year representatives of the Commission held meetings with the Welsh Government Cabinet Secretary for Local Government and Finance, the Welsh Local Government Association, One Voice Wales and Rhondda Cynon Taff County Borough Council. We also met with colleagues from the other UK Boundary Commissions.

2017-18 Remit Letter

3.12 The Cabinet Secretary for Finance and Local Government's remit letter of 17 February 2017 set out the role of the Commission in relation to the Welsh Government's strategic agenda and the deliverables expected of the Commission to help the Government achieve its goals. The remit letter set the following specific objectives for the Commission for 2017-18:

- To commence the electoral review programme with the aim of completing all 22 reviews in accordance with the published timetable.
- To prepare guidance for Principal councils on conducting community reviews.
- To keep under review the boundaries of principal areas.
- To ensure that all aspects of reviews are quality assured.
- To maintain continuous review and improvement of the Commission's corporate governance and seek value for money when procuring services.

The activities that will deliver objectives in these areas over the coming twelve months are included in Section 5, The Work of the Commission During 2017-18.

4. CORPORATE MANAGEMENT: POLICIES AND PRACTICE

Framework Document

- 4.1 The Framework Document describes the relationship between the Commission and the Welsh Government and requires the submission of Annual Operational Plans, Corporate Plans and Annual Reports and Accounts to the Welsh Government for the purposes of planning, budgeting and assessing performance. Quarterly liaison meetings are held with the sponsor division of the Welsh Government. The Commission also meets the Minister as required to discuss progress.
- 4.2 A Corporate Governance Manual has been adopted and a Register of the direct or indirect pecuniary interests of Commissioners is published on the Commission's web site (www.ldbc.gov.wales). There is also a code of conduct for Commission staff.
- 4.3 The Commission has an appointed Audit and Risk Assurance Committee, chaired by the Deputy Chair of the Commission. The Commission has appointed an independent member of the Audit and Risk Assurance Committee.
- 4.4 Working practices have been adopted which accord with the principles of openness, consultation and helpfulness. For example, the Commission gave widespread publicity to their intention to hold each review and wrote to and visited the local authority concerned to discuss the review and invited their initial comments. For each review the Commission issues press releases on the draft and final proposals and sufficient copies of reports are supplied to enable free distribution to all members of principal and community councils affected by the proposals and to local libraries. A number of copies are also available for local residents on request. The Commission's web site: www.ldbc.gov.wales gives information about the Commission, the progress of reviews and access to reports.
- 4.5 For each review one of the Commissioners was appointed Lead Commissioner for that review. The role of Lead Commissioner is to encourage councils to engage with the process at a high level through face-to-face meetings with senior members and staff where appropriate throughout the review process.

Audit

- 4.6 The Commission is committed to achieving value for money when purchasing goods and services. To ensure efficiency and value for money a comprehensive set of desk instructions relating to systems and procedures is in place. The Commission's internal auditors during 2016-17 were Deloitte LLP. The Auditor General for Wales has undertaken the external audit of the Commission's finances and the subsequent report was without caveat or qualification.

Welsh Language Scheme

- 4.7 The Commission has a Welsh Language Scheme, which sets out, in detailed measures, the Commission's commitment to the principle that, in the conduct of public business in Wales, the Commission will treat the Welsh and English

language on a basis of equality. A copy of the Scheme will be supplied on request or may be accessed on the Commission's bilingual website.

- 4.8 The Chair of the Commission is a fluent Welsh speaker, and the Commission has appointed him Welsh Language Champion. The Commission's Chief Executive manages all new policies and initiatives personally and is the Scheme's monitoring officer.
- 4.9 During the year the Commission cooperated with the Welsh Language Commissioner's investigation in preparation for the implementation of Welsh Language Standards. At the end of March the Commission received a draft compliance notice in respect of the Welsh Language Standards. This will be responded to and work will take place during the coming year to ensure that the Commission is in a position to meet the required standards.
- 4.10 All of the Commission's publications and correspondence were issued either bilingually or with Welsh and English versions being published simultaneously. Separate publications were equally accessible (in hard copy and on the Commission's website), and were of the same quality, format and prominence.
- 4.11 One (10%) full-time member of staff and one (10%) part-time member of staff at the Commission's Secretariat were Welsh speakers who are available to: answer queries from colleagues pertaining to the Welsh language; answer queries from Welsh speaking members of the public; and, quality-assure Welsh language publications.
- 4.12 We are pleased that one further member of staff has committed to learning the Welsh language.

Training and Information Technology

- 4.13 Essential training courses that members of staff are required to attend have continued during the year and include: MapInfo Software, Equality and Diversity, Health and Safety, Manual Handling, Handling Requests for Information, Fire Awareness, Information Security, Welsh Language Awareness, Welsh Language Learning, Governance, Excel, Sustainable Development, Project Management. Two new Review Officers also received job specific training in respect of the Commission's geographical information system, and in-house coaching was arranged and supported. Welsh Language coaching has been given on an informal basis to non-Welsh speaking staff, to help them improve their pronunciation of Welsh place names.
- 4.14 The Commission is part of the Welsh Government's Atos alliance which provided the majority of the Commission's IT requirements, both hardware and software. Following the adoption of an IT strategy, several improvements were made to the Commission's IT systems.

Complaints Procedure

- 4.15 The Commission has a Complaints Procedure whereby complaints may be made (by letter, e-mail or telephone) by contacting the Commission. Information on how complaints are handled can be found within the Commission's Complaints

Procedure document, which can be viewed on the Commission's web site (www.ldbc.gov.wales) or can be obtained from the Commission at the address below. The work of the Commission comes within the remit of the Public Services Ombudsman for Wales.

- 4.16 The Commission received one complaint during 2016-17 from Gwynedd County Council. The complaint concerned a meeting held between the Commission and officials from Gwynedd County council. The Council's Chief Executive told that Commission had that he was surprised that none of the four representatives from the Commission who attended the meeting were able to communicate in Welsh. The Commission responded to the Chief Executive to explain that the Commission only had a limited number of Welsh speaking staff and members and to apologise that none of them had been available to attend the meeting. The Council accepted the Commission's apology and explanation and stated that they did not intend to take the matter further. No complaints were received during 2015-16.

Information Policy

- 4.17 The Commission made as much information publicly available as practicable through their web site and this information largely corresponds to that set out in the guidance contained in the Information Commissioner's Office Definition Document for Welsh Government Sponsored Bodies. Any information specified in the Information Commissioner's Office Definition Document not readily available on the Commission's web site will be made available on request. The Commission's Code of Practice on Public Access to Information requires all requests for information covered by the Freedom of Information Act to be met within 15 working days. In 2016-17 there were 5 requests for information all of which (100%) were responded to within 15 working days of receipt of the request. This compares to 2015-16 where there were 5 requests for information 100% of which were provided within 15 working days of receipt of the request.

Personal Data Management

- 4.18 The Local Democracy and Boundary Commission for Wales took all reasonable measures to protect the personal data obtained from its stakeholders and employees during the course of its business activities. Data management controls include password protection on all databases holding personal and sensitive data, restricting access to data, holding manual data in locked cupboards and ensuring data handling protocols are in place.

During 2016-17 there was one data security incident. This occurred when the Commission's Business Continuity Plan, containing personal telephone numbers and email addresses of staff and commission members, was inadvertently emailed to the wrong address. In this instance the Commission was able to contact the recipient and have the email and attachment deleted. (2015-16 – no data security incidents).

Gifts and Hospitality

- 4.19 The Commission has a Gifts and Hospitality Policy and operates a gifts and hospitality register for recording offers of gifts or rewards estimated to be worth £5 or more, and hospitality, such as a working lunch, a buffet lunch or dinner incidental

to attending meetings of other public bodies, a conference or seminar attended by a variety of participants with an estimated value of £20 or more. During 2016-17 members and staff were offered non-related hospitality or gifts on a total of 4 occasions, all of these offers, with an estimated total value of £216, were accepted (2015-16: hospitality offers on 11 occasions with an estimated total value of £368 were accepted).

5. THE WORK OF THE COMMISSION DURING 2017-18

Reviews of Electoral Arrangements

- 5.1 The Commission commenced its review of the 22 Welsh principal authorities in January 2017 and this will continue throughout 2017-18.

Seaward Boundary Review

- 5.2 The Commission will continue their review of the seaward boundaries of the County Borough of Neath Port Talbot and the City and County of Swansea and it is anticipated that draft proposals will be published in May 2017 and final proposals published during the autumn to 2017.

Community Reviews

- 5.3 The Commission will undertake its role in any future community reviews to be launched by Wales' principal councils. The Commission will provide advice and guidance as appropriate to principal councils undertaking Community Reviews.

Corporate Governance

- 5.4 As part of the production of the Annual Report and Accounts a Governance Statement is required to be produced and this will be supplemented by the Annual Report of the Audit and Risk Assurance Committee. Each quarter the Chief Executive will assess the Commission's processes for producing the Governance Statement.
- 5.5 The Audit and Risk Assurance Committee will meet in July and November 2017 and in February 2018 to monitor and evaluate overall governance and risk management arrangements.
- 5.6 Operational Risks will be continually assessed at Team and Management meetings and where necessary will feed into the Corporate Risks that are to be considered at each Commission meeting.

Communications

- 5.7 The Commission's communications strategy will be reviewed in the light of changes arising from the Local Government (Wales) Bill.

Procurement

- 5.8 Existing contracts and procurement arrangements will be monitored to ensure that expenditure provides value for money.

Equality and Diversity

- 5.9 The Commission will seek to prioritise equal opportunities in making appointments or secondments to the Commission's staff. As part of its policy to promote equality, Welsh Government adopts policies to take this into account and puts into practice its commitments to equality.
- 5.10 In line with this initiative, the Commission keeps under review all internal policies and procedures to ensure that they comply with best practice, reflect the Welsh Government's objectives and that the equality impact is assessed.
- 5.11 Members of staff are encouraged to improve their understanding of the principles of equality and diversity and their implementation and to be aware of changes in legislation by undertaking appropriate training and to put into practice the principles they have learnt.
- 5.12 The Commission notes the Welsh Government's commitment to increase diversity in public appointments. The Commission will continue to work with Welsh Government in the pursuit of this aim in respect of the recruitment of new members to the Commission as and when they are required. This commitment will also be applied to the process of appointing an independent member to the Audit and Risk Assurance Committee.

Sustainable Development Principles and Well-being

- 5.13 The Commission aims to ensure that, when making decisions, the impact of those decisions on the people living in Wales in the future will be considered – the Commission does not want their actions today to have a detrimental effect on the people of tomorrow. In making decisions, we, therefore: consider the long-term effects of our decisions; aim to work well with people, communities and each other; attempt to prevent potential problems; and, adopt a more integrated approach, by listening to what interested parties have to say.
- 5.14 There is already a commitment to and awareness of sustainable procurement within the Commission, which is supported by a corporate approach to Sustainable Development. Work has been undertaken to identify sustainable procurement priorities, such as reduced resource consumption, sound environmental management and supplier development. This is underpinned by the Commission's Environmental Policy and its commitment to the Green Dragon Environmental Standard (Level 2).
- 5.15 During the forthcoming year, the Commission aims towards achieving the Small Workplace Health Award.

Welsh Language

- 5.16 The Commission will publish a Welsh Language Scheme Annual Report, a copy of which will be issued to the Welsh Language Commissioner.

- 5.17 During the forthcoming year, the Commission will continue the transition process from Welsh Language Scheme to Welsh Language Standards. The Commission will continue to address the points raised on the Welsh Language Commissioner's Compliance Notice and it is anticipated that this will be completed during the summer of 2017.

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6. REMUNERATION AND STAFF REPORT

Remuneration Policy

- 6.1 Powers to make remuneration to Commission Members are set out in Schedule 8 paragraph 2 of the Local Government Act 1972. This function was transferred to the National Assembly for Wales under SI 1999 Transfer of Functions Order No 672. Increases to the remuneration of Chairs and Members of WGSBs are authorised by the First Minister.
- 6.2 The Commission also has responsibility for paying the remuneration for Boundary Commission for Wales (BCW) members at daily rates set by the Cabinet Office and approved by HM Treasury. The cost of this remuneration is met from the funding provided by Cabinet Office described on page 28 and disclosed in the staff costs table on page 21.
- 6.3 Annual increases in salary are applied in accordance with those agreed for staff of the Welsh Government and no performance bonuses are applicable.
- 6.4 The information contained within this report is subject to audit with the exception of the figures regarding staff composition and sickness absence.

Remuneration (including salary) and pension entitlements

- 6.5 The following sections provide details of the remuneration and pension interests of the most senior management and board members of the Commission.

Commission Members' Remuneration	2016-17	2015-16
Name	Fees £'000	Fees £'000
Mr O Watkin (Chair – LDBCW)	7	6
Mr C Stradling (Deputy Chair – LDBCW)	4	4
Mr D Powell (Member – LDBCW)	4	4
Mrs J May (Member – LDBCW)	3	2
Mr M T Joloza (Member – LDBCW)	4	3
Mrs J James (Independent Audit Committee Member – LDBCW)	1	1
Mr P Loveluck (Member – BCW)	6	6
Prof. R McNabb (Member – BCW)	3	4

- 6.6 The Commission members' remuneration related entirely to fees for services rendered during the year. Pension contributions are not payable. The emolument of the Chair of the Commission was £6,588 (2015-16: £6,051). The Speaker of the House of Commons is the ex-officio Chairman of the BCW. The BCW Deputy Chair, who presides over the meetings, is a High Court Judge: the Honourable Mr Justice Lewis. The post of BCW Deputy Chair is unpaid with only expenses being covered. The emolument of BCW Member Mr Paul Loveluck was £6,066. The

emolument of the remaining Commission and BCW Members and Independent Audit and Risk Assurance Committee Member was less than £5,000 each.

- 6.7 During 2016-17 the BCW also employed three Assistant Commissioners, Mr Emyr Wyn Jones, Mr Gerard Elias and Mr Rhodri Lewis, on a temporary basis to oversee Public Hearings held as part of the 2018 Review of Parliamentary Constituencies in Wales. The remuneration of the Assistant Commissioners for 2016-17 was £8,846, £7,835 and £7,583.

Senior Managers' Salary and Pension Entitlements

Single total figure of remuneration						
Official	Salary (£'000)		Pension Benefits (to nearest £1,000) ¹		Total (£'000)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Mr S R Halsall (Chief Executive)	55-60	50-55	42,000	55,000	100-105	105-110
Mr M Redmond (Deputy Chief Executive)	40-45	35-40	21,000	24,000	60-65	60-65

¹ 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 individual). The real increases exclude increases due to inflation or any increase or decrease due to a transfer of pension rights.

Number of Senior Managers

- 6.8 The Commission employed 2 senior managers during 2016-17 (2015-16: 2 senior managers), a Chief Executive and Deputy Chief Executive. The Commission's Chief Executive is deemed to be the equivalent of the Welsh Government's Executive Band 2 and the Commission's Deputy Chief Executive is deemed to be the equivalent of the Welsh Government's Management Band 1.

Salary

- 6.9 'Salary' includes gross salary and overtime. Nine staff members received a recruitment and retention allowance for the period January to March 2017. During 2016-17 there were no payments made in respect of performance pay or bonuses. This report is based on accrued payments made by the Commission and thus recorded in these accounts.

Benefits-in-Kind

- 6.10 None of the Commission's Members or staff received any benefits-in-kind during 2016-17 (or during 2015-16).

Bonuses

- 6.11 None of the Commission's Members or staff received any bonuses during 2016-17 (or during 2015-16).

Fair Pay Disclosure

- 6.12 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.

- 6.13 The banded remuneration of the highest paid director in the Commission in the financial year 2016-17 was £55-60,000 (2015-16: £50-55,000). This was 2.1 times (2015-16: 2.2 times) the median remuneration of the workforce, which was £26,667 (2015-16: £24,356).
- 6.14 In 2016-17, 0 (2015-16, 0) employees received remuneration in excess of the highest paid director. Remuneration ranged from £22,575 to £56,900 (2015-16: £21,500 to £54,150).
- 6.15 Total remuneration includes salary, consolidated allowances, non-consolidated performance related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Pension Benefits

Name	Accrued pension at pension age as at 31/03/17 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/17	CETV at 31/3/16	Real increase in CETV	Employer contributions to partnership pension accounts
	£'000	£'000	£'000	£'000	£'000	
Mr S R Halsall Chief Executive	30 – 35 plus lump sum of 50 – 55	0 – 2.5 plus lump sum of 0 – 2.5	699	661	40	-
Mr M Redmond Deputy Chief Executive	5 – 10	0 – 2.5	65	54	7	-

Civil Service Pensions

- 6.16 Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or **alpha**, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined **alpha**. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (**classic**, **premium** or **classic plus**) with a normal pension age of 60; and one providing benefits on a whole career basis (**nuvos**) with a normal pension age of 65.
- 6.17 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**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and 13 years and 5 months from their normal pension age on 1 April 2012 will switch into **alpha** sometime between 1 June 2015 and 1 February 2022. All members who switch to **alpha** have their PCSPS benefits

'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes.) 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).

- 6.18 Employee contributions are salary-related and range between 3% and 8.05% of pensionable earnings for members of **classic** (and members of **alpha** who were members of **classic** immediately before joining **alpha**) and between 4.6% and 8.05% for members of **premium**, **classic plus**, **nuvos** and all other members of **alpha**. 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. Benefits in **alpha** build up in a similar way to **nuvos**, except that the accrual rate is 2.32%. 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.
- 6.19 The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (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 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).
- 6.20 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**, 65 for members of **nuvos**, and the higher of 65 or State Pension Age for members of **alpha**. (The pension figures quoted for officials show pension earned in PCSPS or **alpha** – as appropriate. Where the official has benefits in both the PCSPS and **alpha** the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash Equivalent Transfer Values

- 6.21 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.
- 6.22 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.

Real increase in CETV

- 6.23 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

- 6.24 No payments were made in respect of loss of office or termination during 2016-17 (and no payments were made during 2015-16).

Staff Numbers and Related Costs

	2017 Permanently employed staff £	2017 Inward Secondments £	2017 Agency Staff £	2017 Commission Members £	2017 Total £
Wages and salaries	288,533	35,271	27,911	56,840	408,555
Social security costs	26,192	2,412	-	3,019	31,623
Pension costs	59,907	6,117	-	-	66,024
Total Net Costs	374,632	43,800	27,911	59,859	506,202

Average number of persons employed

The average number of whole-time equivalent persons employed during the year by these categories was as follows:

	No.	No.	No.	No.	No.
Directly Employed	9	-	-	9	18
Other	-	1	1	1	3
Total Staff	9	1	1	10	21

Comparatives (restated):

	2016 Permanently employed staff £	2016 Inward Secondments £	2016 Agency Staff £	2016 Commission Members £	2016 Total £
Wages and salaries	268,070	15,108	-	30,087	313,265
Social security costs	18,266	650	-	601	19,517
Pension costs	56,287	3,022	-	-	59,309
Total Net Costs	342,623	18,780	-	30,688	392,091

Average number of persons employed

The average number of whole-time equivalent persons employed during the year by these categories was as follows:

	No.	No.	No.	No.	No.
Directly Employed	9	-	-	7	16
Other	-	1	-	-	1
Total Staff	9	1	-	7	17

6.25 The above costs include £165,100 (2015-16; £63,500) in respect of staff resources and £35,870 (2015-16; £9,605) in respect of members' remuneration expended on behalf of the Boundary Commission for Wales. The increased costs compared to the previous year were due to a significant increase in work undertaken for the 2018 Review of Parliamentary Constituencies in Wales.

6.26 For 2016-17, employers' contributions of £59,906 were payable to the PCSPS and **alpha** (2015-16 £56,287) at one of four rates in the range 20.0% to 24.5% (2015-16: 20.0% to 24.5%) of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The salary bands and contribution rates were revised for 2016-17 and will be revised again for 2017-18. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme. Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. No members of the Commission staff have opted for a partnership pension.

Employee Policy

6.27 The Commission maintains a core of directly employed staff consisting of the Chief Executive, Deputy Chief Executive, Finance Manager, Business Support Manager, four Review Officers and one Team Support Officer. Directly employed staff have salary bands and terms and conditions of service analogous with Welsh Government staff of corresponding grades. One member of staff was inwardly seconded staff from another government department. Members of staff seconded from other government departments remain on the salary scales and terms and conditions of their parent department whilst employed by the Commission. This policy allows the Commission to retain a core of staff with knowledge of mission critical systems and procedures whilst meeting increases in review workload efficiently.

6.28 The Commission has an extensive range of policies which reflect current legislation, and aim to secure retention and motivation. These policies are reviewed regularly. All policies are equality checked before implementation. The Commission was first

accredited with Investors In People standard in 2009. This was subject to a full review during 2015-16 which concluded that the Commission should retain IIP accreditation.

Staff Composition

6.29 During 2016-17 the Commission employed 21 full time equivalent staff and commission members (including agency and temporary staff), 5 female and 16 male (2015-16: 17 staff and commission members, 5 female, 12 male). The Commission's management team is comprised of 3 male staff members and 1 female staff member. The table below shows full time equivalent staff numbers at 31 March 2017.

	Team Support	Management Band 3 (EO)	Management Band 2 (HEO)	Deputy Chief Executive (SEO)	Chief Executive (G7)	Commission Members	Total
Male	1	4	1	1	1	8	16
Female	2	-	1	-	-	2	5

Sickness Absence

6.30 During 2016-17 seven of the Commission's permanent staff were absent on sick leave for a total of 83 days (2015-16 – eight of the Commission's permanent staff were absent on sick leave for a total of 145 days).

Off Payroll Engagements

6.31 All of the Commission's directly employed staff and board members are paid through the Commission's payroll system and subject to the appropriate tax and National Insurance contributions. All staff on inward secondment to the Commission from other government departments remain on the payroll system of their parent departments.

6.32 During 2016-17 the Commission made off-payroll payments to 2 temporary staff members employed through an agency. The Commission took measures to confirm that the appropriate tax and National Insurance contributions were being paid by requesting to see the agency staff members' pay slip and by requesting confirmation from the agency which was received. Both of the agency staff members were employed for longer than 6 months but were paid less than £220 per day. No off-payroll payments were made to any staff or board members during 2015-16.

7. FINANCIAL STATEMENTS

The Certificate and Report of the Auditor General for Wales to the National Assembly for Wales

I certify that I have audited the financial statements of the Local Democracy and Boundary Commission for Wales (the Commission) for the year ended 31 March 2017 under the Paragraph 19 of Part 2 of the Local Government (Democracy) (Wales) Act 2013. These comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity 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 the Commission's and Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the financial statements, in accordance with the Section 19 of the Local Government (Democracy) (Wales) Act and Welsh Ministers' directions made there under and for ensuring the regularity of financial transactions.

My responsibility is to audit, certify and report on the financial statements in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Financial Reporting Council'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 Commission circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Commission; and the overall presentation of the financial statements.

In addition, I obtain evidence sufficient to give reasonable assurance that the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition I read all the financial and non-financial information in the Performance Report and Accountability 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 and report.

Opinion on Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of the Commission's affairs as at 31 March 2017 and of its net expenditure, for the year then ended; and
- have been properly prepared in accordance with Welsh Ministers directions issued under section 19 of the Local Government (Democracy) (Wales) Act 2013.

Opinion on Regularity

In my opinion, in all material respects, the expenditure and income in the financial statements have been applied to the purposes intended by the National Assembly for Wales and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Welsh Ministers directions made under the Local Government (Democracy) (Wales) Act 2013; and
- the information in the Performance Report and Accountability Report 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:

- the Governance Statement does not reflect compliance with Welsh Ministers guidance;
- proper accounting records have not been kept;
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns;
- information specified by Welsh Ministers regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
2 August 2017

Wales Audit Office
24 Cathedral Road
Cardiff
CF11 9LJ

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

STATEMENT OF COMPREHENSIVE NET EXPENDITURE for the year ended 31 March 2017

	Notes	2017 £	2016 £
Income	3	<u>(416,095)</u>	<u>(120,051)</u>
Total Operating Income		<u>(416,095)</u>	<u>(120,051)</u>
COSTS			
Staff costs	Table p.28	506,202	392,091
Other operating expenditure	2	356,221	192,270
Total Operating Expenditure		<u>862,423</u>	<u>584,361</u>
Net Operating Expenditure		<u>446,328</u>	<u>464,310</u>
Comprehensive Net Expenditure for the Year		<u>446,328</u>	<u>464,310</u>

All activities are classed as continuing

The notes on pages 29 to 35 form part of these accounts.

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

STATEMENT OF FINANCIAL POSITION as at 31 March 2017

	Notes	31 March 2017 £	31 March 2016 £
NON-CURRENT ASSETS			
Property, Plant and Equipment	4	<u>20,541</u>	<u>34,272</u>
Total non-current assets		<u>20,541</u>	<u>34,272</u>
CURRENT ASSETS			
Trade and other receivables	6	<u>11,590</u>	<u>4,614</u>
Cash and cash equivalents	7	<u>26,982</u>	<u>17,418</u>
Total current assets		<u>38,572</u>	<u>22,032</u>
Total assets		<u>59,113</u>	<u>56,304</u>
CURRENT LIABILITIES			
Trade and other payables	8	<u>(61,905)</u>	<u>(26,916)</u>
Total current liabilities		<u>(61,905)</u>	<u>(26,916)</u>
Total assets less current liabilities		<u>(2,792)</u>	<u>29,388</u>
FINANCED BY:			
General reserves		<u>(2,792)</u>	<u>29,388</u>
		<u>(2,792)</u>	<u>29,388</u>

The notes on pages 29 to 35 form part of these accounts.

The Accounting Officer authorised these financial statements for issue on 26 July 2017

STEVE HALSALL
Accounting Officer
26 July 2017

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

STATEMENT OF CASH FLOWS for the year ended 31 March 2017

	Notes	2017	2016
		£	£
Cash flows from operating activities			
Net operating costs		(446,328)	(464,310)
Adjustments for:			
Decrease / (Increase) in trade and other receivables		(6,976)	(2,036)
Depreciation	4	14,884	14,654
Increase / (Decrease) in trade payables		34,989	(17,440)
Net cash outflow from operating activities		<u>(403,431)</u>	<u>(469,132)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(1,153)	(1,206)
Net cash outflow from investing activities		<u>(1,153)</u>	<u>(1,206)</u>
Cash flows from financing activities			
Grant in Aid from the Welsh Government		414,148	451,334
Net financing			
Net increase /(decrease) in cash and cash equivalents at the start of the period	7	9,564	(19,004)
Cash and cash equivalents at the beginning of the period	7	17,418	36,422
Cash and cash equivalents at the end of the period		<u>26,982</u>	<u>17,418</u>

The notes on pages 29 to 35 form part of these accounts.

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

STATEMENT OF CHANGES IN TAX PAYERS' EQUITY for the year ended 31 March 2017

	General Reserve* £
Balance at 31 March 2015	42,364
Changes in accounting policy	-
Restated balance at 1 April 2015	<u>42,364</u>
Changes in tax payers' equity 2015-16	
Grant in Aid from Welsh Government	451,334
Comprehensive Expenditure for the year	(464,310)
Balance at 31 March 2016	<u>29,388</u>
Changes in taxpayers' equity for 2016-17	
Grant in Aid from Welsh Government	414,148
Comprehensive Expenditure for the year	(446,328)
Balance at 31 March 2017	<u>(2,792)</u>

The notes on pages 29 to 35 form part of these accounts.

* no total column is given as this is the only reserve the Commission has

The negative reserve at 31 March 2017 shown above is a result of a late requirement for additional 2016-17 Grant in Aid from Welsh Government which was not received until 3 April 2017 and therefore not included in the total figure for 2016-17 Grant in Aid received. This did not affect the liquidity of the Commission and a positive balance was regained on 3 April 2017.

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2017

1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2016-17 Government Financial Reporting Manual (IFRS based FReM) issued by HM Treasury. The accounting policies contained in the FReM apply 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 most appropriate to the particular circumstances of the Local Democracy and Boundary Commission for Wales for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Local Democracy and Boundary Commission for Wales are described below. These have been applied consistently in dealing with items that are considered material to the accounts.

1.1 Accounts Direction

The accounts have been prepared in accordance with the Accounts Direction issued by the Welsh Ministers under the Local Government (Democracy)(Wales) Act 2013.

1.2 Accounting Convention

The accounts are prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and inventories.

1.3 Administration and Programme Expenditure

The Commission's funding received from both the Welsh Government and Cabinet Office is classed as funding for programme expenditure by both Departments. All income and expenditure figures shown on the Statement of Comprehensive Net Expenditure are therefore deemed to be programme income and expenditure.

1.4 Valuation of Non-Current Assets

Non-current assets are capitalised at the cost of acquisition and installation where that cost exceeds £500. Computer software costs are written off as incurred. Property, Plant and Equipment are carried at fair value. Depreciated historic cost is used as a proxy for fair value for all classes of assets, as all have either short useful lives, low value, or both. All property plant and equipment are essentially grouped into one of two classes, IT assets or Fixtures, Furniture and Equipment (F+E).

1.5 Depreciation

Depreciation of non-current assets is calculated to write off their cost or valuation over their estimated useful lives. All non-current assets are depreciated over five

years. A full year's depreciation is charged in the year of acquisition and none in the year of disposal.

1.6 Employee benefits

The cost of providing employee benefits is accounted for in the period in which the benefits are earned by employees. Annual leave is provided for over the period that the leave accrues. This accounting policy was introduced in 2009-10 in line with the requirement of IAS19, Employee Benefits.

1.7 Funding

The Local Democracy and Boundary Commission for Wales receives Grant-in-Aid from the Welsh Government to fund its general revenue and capital activities. In accordance with the FReM this Grant-in-Aid is regarded as financing and is credited to the General Reserve on receipt.

Government grants receivable for specific capital expenditure are credited to the Government Grant Reserve and released to the operating cost statement account over the expected useful lives of the relevant assets by equal amounts.

1.8 Inventories

The Local Democracy and Boundary Commission for Wales does not hold any stock of material value.

1.9 Value Added Tax (VAT)

The Commission is not registered for VAT. All expenditure and fixed asset purchases are inclusive of relevant VAT.

1.10 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) and alpha scheme which are described in the Remuneration Report.

1.11 Management of Financial Risk

The Commission has no borrowings and relies primarily on Welsh Government grants for its cash requirements. It also has no material deposits and all material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or currency risk.

1.12 Impact of Standards not yet effective

Commission Members have considered the impact of Standards and Interpretations which have been issued but are not yet effective and which have not been adopted early by the Commission. With the exception of IFRS 16 Leases, Members anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Commission. The

impact of IFRS 16, which has been issued by the IASB but not yet adopted by the European Union and will apply from 2019-20, is not reasonably estimable at this stage.

1.13 Financial Instruments

The Commission does not have any significant financial instruments. Short term instruments can include cash, trade debtors and trade creditors. Where applicable, the current value is the same as the fair value at the year end.

1.13.1 Trade and other receivables

Trade and other receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

1.13.2 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, short term deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

1.13.3 Trade and other payables

Trade and other payables are not interest bearing and are stated at their nominal value.

1.13.4 Borrowings

There are no interest bearing loans or overdrafts.

1.13.5 Impairment

The carrying value of the Local Democracy and Boundary Commission for Wales' assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the assets recoverable amount is estimated. The recoverable amount of an asset is the greater of its net selling price and value in use.

1.13.6 Financial Assets and Financial liabilities which arise from contracts for the purchase or sale of non-financial items are recognised when performance occurs, i.e. when receipt or delivery of the goods or services is made.

1.14 Operating Leases

The Commission's offices at Hastings House were leased by Welsh Government for 5 years until 4 December 2017 with lease costs being met by the Commission. It is considered that the lease on the Commission's accommodation at Hastings House is an operating lease rather than a finance lease because:

- ownership of the accommodation does not transfer to the Commission at the end of the lease term;
- there is no option to purchase at the end of the lease term;

- the lease term is not for the major part of the economic life of the building; and
- the present value of the minimum lease payments do not amount to at least substantially all of the fair value of the building.

These lease costs are charged to the operating cost statement in the year during which the costs are incurred. The Commission is included under the Welsh Government's Atos partnership contract for the provision of all IT services including hardware and software. As part of this agreement the Commission pays a monthly charge to the Welsh Government based on the number of Commission staff with access to the Atos system proportionate to the total number of overall users throughout the Welsh Government. Costs for the provision of hardware and software through the Atos contract are met by the Commission but these remain assets of the Welsh Government.

2. OTHER OPERATING EXPENDITURE

	2017 £	2016 £
Running Costs		
Travel and Subsistence Staff	18,420	4,207
Travel and Subsistence Commission Members	11,709	13,408
Course Fees and Staff Training	7,358	6,382
Auditor General for Wales – annual audit fee	8,400	8,097
Internal Audit Fees	6,229	6,048
Media and Advertising	19,844	-
Translation	68,931	8,743
Printing, postage and stationery	38,188	15,535
Telephone and contracts	1,668	1,488
Accommodation costs	22,986	25,634
Legal and professional	6,814	6,916
Non-capital computer costs	78,188	28,928
Other	1,896	1,717
Rentals under operating leases	50,706	50,513
Non Cash Item: Depreciation	14,884	14,654
Total	<u><u>356,221</u></u>	<u><u>192,270</u></u>

The above costs include £204,870 (2015-16; £46,895) in respect of travel and subsistence, translation, printing, telephone and accommodation expended on behalf of the Boundary Commission for Wales. The increased costs compared to the previous year were due to a significant increase in work undertaken for the 2018 Review of Parliamentary Constituencies in Wales.

3. INCOME

Grant-in-Aid is financing income and is credited directly to reserves. During 2016-17 the Commission received £416,064 in respect of funding from the Cabinet Office to meet the cost of maintaining a Boundary Commission for Wales Secretariat in Cardiff (2015-16, £120,000). The increased costs compared to the previous year were due to a significant increase in work undertaken for the 2018 Review of

Parliamentary Constituencies in Wales. In addition to this the Commission received a rebate of £31 relating to the usage of Welsh Procurement Cards (2015-16, £51).

4. PROPERTY, PLANT AND EQUIPMENT

	Information Technology £	Furniture & Fittings £	Total £
Cost or Valuation			
At 1 April 2016	49,346	68,711	118,057
Additions	-	1,153	1,153
Disposals	-	-	-
At 31 March 2017	<u>49,346</u>	<u>69,864</u>	<u>119,210</u>
Depreciation			
At 1 April 2016	35,051	48,734	83,785
Provided during the year	6,941	7,943	14,884
Eliminated on disposal	-	-	-
At 31 March 2017	<u>41,992</u>	<u>56,677</u>	<u>98,669</u>
Carrying Value at 31 March 2017	7,354	13,187	20,541
Carrying Value at 31 March 2016	14,295	19,977	34,272

All Assets are owned by the Commission.

5. FINANCIAL INSTRUMENTS

As the cash requirements of the Commission are met through Grant-in-Aid provided by the Welsh Government, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with the Commission's expected purchase and usage requirements and the Commission is therefore exposed to little credit, liquidity or market risk.

6. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2017 £	2016 £
Amounts falling due within one year:		
Prepayments and accrued income	11,590	4,614
Total	<u>11,590</u>	<u>4,614</u>

7. CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Balance at 1 April	17,418	36,422
Net change in cash and cash equivalent balances	9,564	(19,004)
Commercial banks and cash in hand	<u>26,982</u>	<u>17,418</u>
Balance at 31 March	<u>26,982</u>	<u>17,418</u>

8. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2017	2016
	£	£
Amounts falling due within one year:		
Taxation and social security	4,141	4,870
Trade payables	1,565	4,792
Accruals and deferred income	45,267	10,785
Holiday pay accrual	10,932	6,469
	<u>61,905</u>	<u>26,916</u>

9. OPERATING LEASES

	2017	2016
	£	£
Total future minimum lease payments under Non-cancellable operating leases comprise:		
Buildings		
Not later than 1 year	34,441	50,759
Later than 1 and not later than 5 years	-	34,385
Later than 5 years	-	-
Total	<u>34,441</u>	<u>85,144</u>

The 2017 figures for Buildings reflected the Commission's 5 year lease of offices at Hastings House, Cardiff ending on 4 December 2017.

10. SPECIAL PAYMENTS AND LOSSES

The Commission recorded loss amounting to £242 in 2016-17 resulting from fruitless payments in respect of the wrong postage amounts applied to franked mail and an underpayment of PAYE on a member's fees which was reclaimed from the Commission by HMRC (a loss of £16 was recorded in 2015-16).

11. RELATED PARTY TRANSACTIONS

The Welsh Government is regarded as a related party. During the year, the Commission has had various material transactions with the Welsh Government amounting to expenditure of £51,985 (2015-16, £26,478). Grant-in-Aid received during the year amounted to £414,148 (2015-16, £451,334). At the end of the reporting period there were outstanding balances with Welsh Government amounting to £19,441 in respect of seconded staff costs and purchase of software.

The Secretariat of the Commission also acts as Secretariat to the Parliamentary Boundary Commission for Wales (BCW). The BCW is a Non-Departmental Public Body sponsored by the Cabinet Office. The Cabinet Office is regarded as a related party. During the year, the Commission has had various material transactions with the Cabinet Office amounting to expenditure of £34,823 (2015-16, £0). During 2016-17 the Commission received £416,064 funding from the Cabinet Office (2015-

16, £120,000). There were no outstanding balances with the Cabinet Office at the end of the reporting period.

None of the Commission members, key managerial staff or other related parties has undertaken any material transactions with the Commission during the year.

12. ANALYSIS OF NET EXPENDITURE BY SEGMENT

The Statement of Comprehensive Net Expenditure reflects the segments that the operating results of the Local Democracy and Boundary Commission for Wales are reported to the Commission. The Local Democracy and Boundary Commission for Wales does not have separately identified segments and reports financial information to its Board as disclosed in Note 2 and Note 3.

13. CONTINGENT LIABILITIES AND ASSETS

There was a contingent liability at the end of 2016-17 in respect of the possible reclamation of VAT on historic salary costs of staff inwardly seconded from Welsh Government to the Commission. Salary costs for staff inwardly seconded from Welsh Government have historically been deducted by the Welsh Government from the Commission's Grant in Aid at source and therefore no VAT was applied. However, Welsh Government have since been instructed by HMRC that VAT must be applied to all seconded staff costs. At the date of signing these accounts there was no indication that Welsh Government intended to recover the historic VAT costs. In addition, it was not known how many previous year's seconded staff costs would be included and therefore a figure for the amount of the liability cannot be estimated. (there were no contingent liabilities at the end of 2015-16).

14. EVENTS AFTER THE REPORTING PERIOD

The Accounting Officer authorised these financial statements for issue on 26 July 2017 by the Accounting Officer. At the date of signing these accounts there were no events after the reporting period to disclose.