

**LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR
WALES**

Commission's annual report and financial statements

31 March 2017

Contents

PERFORMANCE REPORT	1
ACCOUNTABILITY REPORT	8
FINANCIAL STATEMENTS	33

PERFORMANCE REPORT

for the year ended 31 March 2017

Chief Executive's Statement on the Performance of the Commission

The Commission's Remit Letter of March 2016 issued by Welsh Ministers set out what the Commission should achieve during the financial year 2016-17. Further to this, and following the announcement that the Commission would commence a programme of electoral review work, a revised Remit Letter for 2016-17 was received from the Cabinet Secretary for Local Government and Finance in September 2016. The Commission's subsequent Operational Plan set out how the Commission would achieve the Cabinet Secretary's objectives. I consider that the Commission met all of the Cabinet Secretary's objectives to a satisfactory degree. This is considered in more detail under the Performance Analysis and Review of Activities during 2016-17 sections of this report below on pages 3 and 5 and also detailed in Section 4 of the Commission's Governance Statement on page 15.

Statement of Purpose and Activities

The Local Government Boundary Commission for Wales (the Commission) was established in June 1974 under the terms of Section 53 of the Local Government Act 1972 for the purposes of keeping under review the areas and electoral arrangements of local government in Wales.

From 1 April 1995 the Commission became an advisory Non-Departmental Public Body funded by Grant-in-aid from the former Welsh Office and after 1 July 1999, an Assembly Sponsored Public Body (ASPB). When the Government of Wales Act 2006 came into effect on 25 May 2007 the Commission became an Assembly Government Sponsored Body (AGSB) and is now a Welsh Government Sponsored Body (WGSB).

The Commission's name was changed to the Local Democracy and Boundary Commission for Wales with effect from 30 September 2013 by the Local Government (Democracy) (Wales) Act 2013 (the Act).

The Commission's general function, as set out in the Local Government (Democracy) (Wales) Act 2013, is to "monitor arrangements for local government and in doing so the Commission must seek to ensure effective and convenient local government".

The main duties under statute are:

- i) To keep under review all local government areas in Wales for the purpose of considering whether or not to propose to the Welsh Ministers changes appearing to the Commission desirable in the interests of effective and convenient local government;
- ii) To consider requests for reviews from local authorities as well as recommendations from principal councils arising out of their own community reviews;
- iii) To consider the results of reviews carried out by either the Commission or local authorities and make recommendations to the Welsh Ministers; and
- iv) To conduct a review of Wales as a whole, or of any one or more local government areas or parts of such areas in Wales, as directed by the Welsh Ministers.

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

The Commission conducts its reviews by means of consultation with the principal councils, community councils and other interested parties including the public. The Commission announces and publicises its intention to conduct the review and invites representations from all interested parties for a period of between six and twelve weeks. The Commission then take account of representations received when formulating their draft proposals which are published in a report outlining the Commission's decisions in respect of changes (if any) to the existing boundary or electoral arrangements. The Commission announce the publication of their Draft Proposals Report and enter into a further consultation period during which further representations are invited from interested parties. These representations are then taken into account when the Commission formulate its final proposals. The Commission's final proposals are published in a report which is submitted to the Welsh Ministers, which may if they think fit make an order giving effect to any proposals made by the Commission, either as submitted or with modifications. The Commission publicises the publication of their Final Proposals Report and there is a six week period during which interested parties may make representations concerning the Commission's proposals to the Welsh Ministers.

Corporate Objectives

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.

Risks and uncertainties

Risks faced by the Commission relate largely to operational and information areas and the technical capacity to carry out its programme of review work. The risks relating to capacity to carry out review work are managed by reviewing staff requirements and structure and adopting policies, such as the direct employment of staff, to ensure continuity of knowledge of the review procedures. The Commission also reviews its future budgets to ensure they are adequate for the programme of work to be undertaken. Operational risks are managed by the maintenance of clear desk instructions for staff and the legal vetting of all reports and documents issued. Information requirements are limited to specialised areas including the use of Geographical Information System software. Independent checks and site visits to locations under review are undertaken as necessary to reduce the risk of inaccurate

information affecting the Commission's decision making process. There are also elements of risk in the areas of health and safety and fraud/theft. Regular health and safety checks are carried out by senior management and acted upon by the Commission. Integral to the Commission's internal system of control is the engagement of independent accountants whose role in the financial systems and accounts production reduces the risk of fraud and money laundering. The Commission's internal auditors produce an annual report which is considered by the Audit and Risk Assurance Committee and the recommendations made are acted upon.

Risks are also managed by the maintenance of a risk management policy together with a risk register which is reviewed at every Commission and Audit and Risk Assurance Committee meeting. In addition to this the Commission maintains a Business Continuity Plan which is updated as necessary.

Further details of the risks faced by the Commission can be found in the Governance Statement on page 20.

Going Concern

These accounts are prepared on a going concern basis. To the best of my knowledge I am satisfied that the net current liabilities will be financed from resources voted by the Welsh Government (Grant-in-Aid) in the future.

Performance Analysis

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.

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.

In their Operational Plan the Commission responded 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:

<p>Ensuring that appropriate plans and resources were in place in preparation for undertaking reviews of the electoral arrangements of principal councils.</p>	<p>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.</p>
<p>Engaging with local authorities and stakeholders on the policy and practice for the reviews.</p>	<p>The Commission met with officials of the Welsh Local Government Association to discuss the draft electoral reviews policy and practice report in October 2016.</p>
<p>To maintaining a dialogue with stakeholders in order to exchange information in the preparation for and the operation of reviews.</p>	<p>Throughout 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. The Commission also met with the Chief Executive of Conwy County Borough Council in preparation to starting the review of the Council's electoral arrangements in February 2017.</p>
<p>Meeting Ceredigion County Council and starting the review of their electoral arrangements.</p>	<p>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.</p>
<p>Meeting Gwynedd County Council and starting the review of their electoral arrangements.</p>	<p>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.</p>
<p>Meeting Powys County Council and starting the review of their electoral arrangements.</p>	<p>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.</p>
<p>Reviewing on a quarterly basis in May, July, November and February the Commission's governance processes for producing the Governance Statement.</p>	<p>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.</p>
<p>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.</p>	<p>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.</p>

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 undertakes manual checks, proof reading and overall monitoring of the review work and regular progress reports are presented to the Board.

Review of Activities during 2016-17

The Commission published their Final Proposals Report for Neath Port Talbot County Borough Council's Community Review in April 2016. The Commission published their Electoral Reviews: Policy and Practice document in November 2016.

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.

As noted above, during the latter part of 2016-17 the Commission 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.

The Commission made a community review Order under the Local Government (Democracy) (Wales) Act 2013 for Carmarthenshire (Llangennech and Llanelli Rural).

The Commission received their Welsh Language Standards Compliance Notice from the Welsh Language Commissioner and drafted and agreed an action plan to meeting the requirements of the Compliance Notice.

The Commission discharged their corporate management obligations in accordance with their Framework Document, the Commissioners' Code of Best Practice, Complaints Procedure, Code of Practice on Public Access to Information and its Welsh Language Scheme.

The Commission continued to provide a Secretariat to the Boundary Commission for Wales during 2016-17, for which the Commission received funding for expenditure directly from the Cabinet Office. Following completion of the 2013 Review of Parliamentary Constituencies in March 2013 the Commission reached an agreement with Cabinet Office for the provision of future annual funding for maintaining a Boundary Commission for Wales Secretariat in Wales during years when no parliamentary review work was being undertaken. It was agreed that the amount of funding would be fixed at £100,000 per year. During 2016-17 funding received from Cabinet Office relating to the Boundary Commission for Wales was increased by £400,000 to take account of additional activity relating to work for the 2018 Review of Parliamentary Constituencies in Wales and therefore was £500,000 (2015-16; £120,000), as disclosed in the staff costs section of the Remuneration Report on

page 27 and Note 2 to these accounts on page 38. A decrease in funding is expected for 2017-18 as the requirement to hold public hearings across Wales, which comprised the main part of the Boundary Commission for Wales expenditure during 2016-17, was completed by November 2016.

Future Developments

During 2017-18 the Commission will complete their Review of the Seaward Boundaries of the County Borough of Neath Port Talbot and the City and County of Swansea.

The Commission will continue their timetable of electoral review work programme for principal authorities in Wales by producing draft proposals for the review of electoral arrangements for Ceredigion, Gwynedd and Powys. The Commission will also commence the initial stages of the electoral reviews for Pembrokeshire, Torfaen, Carmarthenshire, Denbighshire, Blaenau Gwent, Bridgend, Merthyr Tydfil and Swansea including holding meetings with council officers and leaders and town and community councils.

The Commission will also undertake its role in any future community reviews to be launched by Wales' principal councils and continue to provide principal councils with any advice and guidance they may require.

The Commission also have an on-going obligation to keep under review the areas of principal councils and to give consideration to any recommendations made by principal councils in respect of community area reviews undertaken by them.

The Chief Executive will continue to assess the Commission's processes for producing the Governance Statement throughout the year. As part of the production of the Annual Report and Accounts a Governance Statement, supplemented by the Annual Report of the Audit and Risk Assurance Committee, will be produced. Consideration of corporate risks is given at each Commission meeting.

The Commission's Secretariat also provides a Secretariat to the Boundary Commission for Wales and will continue to undertake work on the 2018 Review of Parliamentary Constituencies in Wales.

Financial Results

The net expenditure for the year amounted to £446,328 (2015-16; £464,310) and this has been transferred to the general reserve. Grant-in-Aid received from the Welsh Government amounted to £414,148 (2015-16; £451,334) and this has been credited direct to the general reserve.

Payment of Creditors

The Commission's payment policy is to pay all invoices within 30 days of receipt. This policy is in accordance with the requirements laid down in the Late Payment of Commercial Debts (Interest) Act 1998 and follows the Better Payment Practice Code issued by the Department of Trade and Industry. In 2016-17, the Commission received 298 invoices and paid 99.5% of these within 30 days and 98% within 10 days (2015-16, received 199 invoices and paid 100% of these within 30 days and 95% within 10 days).

Environmental, Social and Community Issues

The Commission is actively pursuing policies that will seek to reduce the impact the Commission's operations have on the environment. Whilst the Commission will undertake a number of initiatives to reduce environmental impact, such as ensuring all members of staff receive sustainable development training, the main delivery will be achieved via the Green Dragon Environmental Standard and through the Commission's sustainable procurement policies. The Commission has developed a Sustainable Procurement Policy and Strategy and the Commission's work towards reducing the environmental impact of its activities has been recognised with the awarding of level two of the Green Dragon Environmental Standard. The Commission has also achieved level three of the Sustainable Procurement Assessment Framework in the key areas.

The Welsh Government's strategic agenda is set out in the Programme for Government. It emphasises the outcomes that Welsh Government are working towards: healthy people living productive lives in a more prosperous and innovative economy; safer and more cohesive communities, with lower levels of poverty and greater equality; a resilient environment with more sustainable use of our natural resources and a society with a vital sense of its own culture and heritage. The Commission acknowledges and supports the commitment of the Welsh Government to develop more inclusive and cohesive communities across Wales, and will endeavour to take account of that commitment in making any recommendations.

Long Term Expenditure Trends

The Commission's funding and expenditure is linked to programmes of electoral review work undertaken for principal authorities in Wales. It is expected that the Commission's level of expenditure will increase during 2017-18 due to the continuation of the programme of electoral review work which commenced in January 2017 and that this increased level of expenditure will continue for subsequent years until the Commission's programme of electoral review work ends in early 2021.

STEVE HALSALL

Accounting Officer

26 July 2017

ACCOUNTABILITY REPORT

for the year ended 31 March 2017

CORPORATE GOVERNANCE REPORT

Commission Members, Chief Executive and Senior Staff

The Commission Members throughout 2016-17 were:

Owen Watkin OBE	(Chair)
Ceri Stradling	(Deputy Chair)
David Powell	(Member)
Julie May	(Member)
Theodore Joloza	(Member)

Independent Member of the Audit and Risk Assurance Committee:

Julie James

Senior managers throughout 2016-17 were:

Steve Halsall	(Chief Executive and Accounting Officer)
Matthew Redmond	(Deputy Chief Executive)

The appointment of the Chair, Mr Owen Watkin is for a term of 4 years running from 15 June 2015 until 14 June 2019.

The appointments of the Deputy Chair, Mr Ceri Stradling, and Member, Mr David Powell, are for terms of 4 years running from 1 October 2015 until 30 September 2019.

The appointments of Members Mrs Julie May and Mr Theodore Joloza are for terms of 3 years running from 1 September 2015 to 31 August 2018.

The appointment of the Independent Audit and Risk Assurance Committee Member, Mrs Julie James was reappointed for a term of 3 years running from 1 September 2016 to 31 August 2019.

Register of Interests

A register of any company directorships and other significant interests is maintained and held at the Commission's offices in Hastings House, Cardiff and is available for inspection by the public on request. Alternatively, the register can be accessed from the Commission's web site at: <http://ldbc.gov.wales/about/register/>. An annual reminder is sent regarding the need to update this information. Arrangements are also in place for both members and officers to declare interests in respect of decision making at the start of each Commission and Audit and Risk Assurance Committee meeting.

Personal Data Management

The Local Democracy and Boundary Commission for Wales takes 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 as detailed in the Governance Statement on page 23.

Appointment of Auditors

The accounts of the Commission are audited by the Auditor General for Wales under Statutory Instrument 2003 number 749 issued in accordance with the Government for Wales Act 1998. Audit fees are disclosed in Note 2 to these accounts.

Audit and Risk Assurance Committee

The Audit and Risk Assurance Committee met on three occasions during the year 2016-17. The Committee was chaired by Ceri Stradling. David Powell and Theodore Joloza served as members of the Committee and Julie James served as the Committee's independent member. The Audit and Risk Assurance Committee's main duties are to consider the effectiveness of the Commission's overall internal control and risk management systems and to ensure adequate processes and mechanisms are in place for the assessment and management of risk. It considers the scope of audit coverage and adequacy of management responses to the audit recommendations and advises the Chief Executive on audit and compliance matters.

Charitable and Political Donations

The Commission did not make any charitable or political donations during 2016-17 (nor in 2015-16).

Financial Instruments

Details of Financial Instruments are given at Note 5 to the accounts on page 41.

Information

The Commission's Code of Practice on Public Access to Information requires all requests for information covered by the Freedom of Information (FoI) Act to be met within 15 working days. In 2016-17 there were 19 requests for information covered by the FoI Act, 100% of which were provided 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).

The Local Democracy and Boundary Commission for Wales has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

Ministerial Directions

As a Welsh Government Sponsored Body we are subject to non-statutory instruments, containing appropriate directions. No Ministerial Directions were issued to the Commission during 2016-17.

Gifts and Hospitality

A register of Gifts and Hospitality is maintained for members and staff. The Commission's Gifts and Hospitality Policy requires members and staff to declare offers of gifts of a value of £5 or above and hospitality of a value of £20 or above, whether accepted or declined and whether directly related to Commission business or not. The Gifts and Hospitality Register and declarations are considered at every Audit and Risk Assurance Committee meeting. Details of non-related hospitality or gifts offered to members and staff during 2016-17 are given in the Governance Statement at page 21.

Whistleblowing

The Commission operates a Whistleblowing Policy which is made available to staff through the Commission's intranet and Commission Members as part of the induction packs issued to them following appointment. There were no instances of whistleblowing during the reporting period (2015-16 – no whistleblowing incidents).

Complaints Procedure

The Commission has a Complaints Procedure whereby complaints may be made (by letter, e-mail or telephone) by contacting the Commission. The Commission's Complaints Policy was fully revised in January 2014 following a provision of the Local Government (Democracy) (Wales) Act 2013 which added the Commission to the listed authorities in Schedule 3 to the Public Services Ombudsman (Wales) Act 2005 and brought the Commission under the jurisdiction of the Public Services Ombudsman Wales. 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's offices at the following address:

The Chief Executive
LDBCW
Ground Floor
Hastings House
Fitzalan Court
Cardiff CF24 0BL

The work of the Commission comes within the remit of the Public Services Ombudsman for Wales. All members of staff are required to attend training on complaints handling. 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 (for comparison purposes, no complaints were received during 2015-16).

Welsh Language Scheme

One of the Commissioners is nominated as the Welsh Language Champion for the Commission. They have an open remit to work with the Commission staff to raise and improve our use of the Welsh Language. The Commission has a Welsh Language Scheme

(last revised in January 2014) which sets out the Commission's commitment to the principle that in the conduct of public business in Wales, the Commission will treat the Welsh and English languages on a basis of equality. The Commission's Welsh Language Scheme contains detailed measures in support of the principle and a copy of the full report will be supplied on request or may be accessed on the Commission's web site.

Statement of the Commission's and the Accounting Officer's Responsibilities

Under the Local Government (Democracy)(Wales) Act 2013, Welsh Ministers have directed the Commission to prepare for each financial year a statement of accounts in the form and on the basis determined by the Welsh Ministers. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- i) Observe the accounts direction issued by the Welsh Ministers including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ii) Make judgements and estimates on a reasonable basis;
- iii) State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- iv) Prepare the financial statements on a going concern basis.

The Welsh Government has appointed the Chief Executive as Accounting Officer of the Commission. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping of proper records and for safeguarding the Commission's assets, are as set out in the Accounting Officers' Memorandum and Managing Welsh Public Money published by the Welsh Government.

As the Commission's Accounting Officer, I confirm that:

1. As far as I am aware, there is no relevant audit information of which the Commission's auditors are unaware and I have taken all steps to make myself aware of any relevant audit information and to establish that the Commission's auditors are aware of that information; and
2. The annual report and accounts as a whole is fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the judgement required for determining that it is fair, balanced and understandable.

STEVE HALSALL
Accounting Officer
26 July 2017

ANNUAL GOVERNANCE STATEMENT

2016/17

1. Introduction

The Local Democracy and Boundary Commission for Wales (“the Commission”) is a statutory body that is sponsored by the Welsh Government and, as such the Commission is required to operate a robust system of corporate governance. The Commission is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for and used economically, efficiently, and effectively. The relationship between the Commission and Welsh Government is defined in a Framework Document.

This Governance Statement is to provide evidence of how the Accounting Officer has managed and controlled the resources used in his or her organisation through the course of the year in line with the principles set out in HM Treasury’s Corporate Governance Code¹.

2. The purpose of the Governance Framework

The governance framework comprises the committees, systems and processes, cultures and values, by which the Commission operates and its activities through which it accounts to, engages with and reports to the community. It enables the Commission to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Commission’s policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Commission’s overall conclusion for 2016-17 is that the level of governance throughout the year has been sound. The Audit and Risk Assurance Committee’s annual self-assessment exercise for 2016-17 indicated that there was full compliance with good practice.

3. Governance Framework

3.1 Welsh Government Framework Document, Operational Plan and Remit Letter

The respective roles of the Welsh Government as Sponsor Department and the Commission are set out in a Framework Document. The Framework Document sets

¹ http://www.hm-treasury.gov.uk/psr_governance_corporate.htm

out the broad framework within which the Commission operates and details the terms and conditions under which the Welsh Ministers provide Grant-in-Aid to the Commission. This includes the requirement for the Commission to produce an annual Operational Plan.

The Commission's annual Operational Plan is agreed between the Commission and the Welsh Government and sets out the main work of the Commission for the coming financial year and how this work will be financed. The Operational Plan is produced following the receipt of a Remit Letter from the Welsh Government Minister which sets out its policy aims, the notification of the allocated grant-in-aid to the Commission with related budgetary control and guidance on specific requirements in relation to business planning for the coming year.

3.2 Accounting Officer

The Welsh Government designates the Commission's Accounting Officer (normally the Chief Executive). The Accounting Officer's responsibilities are set out in the Welsh Government's publication Managing Welsh Public Money.

The Commission's Chief Executive, Steve Halsall, was designated as Accounting Officer by Welsh Government.

3.4 The Corporate Management Team

The Corporate Management Team meets monthly and normally comprises the Chief Executive, Deputy Chief Executive, Finance Manager and Business Support Manager. Other officers are called on for their professional expertise as required.

3.5 Committee Structure

The legislation requires that the Commission board shall consist of a 'chairing member' (Chair), a 'deputy to the chairing member' (Deputy Chair) and not more than three other members. The membership of the Commission during 2016-17 comprised a Chair, a Deputy Chair and three other members, thereby meeting the requirements of the legislation. In general the Commission meets once per month but may meet more or less frequently depending on the flow of work.

In order to support the Commission in respect of issues of risk, financial propriety, internal control and governance, and associated assurance an Audit and Risk Assurance Committee has been appointed. The Audit and Risk Assurance Committee comprises three members of the Commission (not the Chair) and an appointed independent member. The Audit and Risk Assurance Committee is scheduled to meet at least three times a year. The Chair of the Audit and Risk Assurance Committee may convene additional meetings as they deem necessary.

The Commission is also supported in respect of workforce matters of a confidential or sensitive nature by a Workforce Sub-committee.

The Corporate Management Team which comprises the Chief Executive, Deputy Chief Executive, Finance Manager and Business Support Manager attend both Commission and Audit and Risk Assurance Committee meetings. Other officers are called on for their professional expertise as required. Representatives of Internal and

External Audit and Welsh Government attend the Audit and Risk Assurance Committee.

The Commission's Assurance Framework Map is at Annex A.

3.6 Audit and Risk Assurance Committee

The Commission's Audit and Risk Assurance Committee produce an Annual Report which provided positive feedback to the Accounting Officer on the completeness and reliability of the assurances obtained by the Commission on its risk management and internal controls. The main points of the Committee's 2016-17 Annual Report were that the Committee:

- Reviewed and updated their Terms of Reference;
- Reviewed and updated their Annual Work Plan;
- Continued the practice of having its Members complete an annual self-assessment questionnaire;
- Continued the practice of having Members and the Accounting Officer complete an annual internal audit effectiveness assessment questionnaire;
- Continued the practice of holding an annual confidential meeting between Members and External and Internal Audit;
- Confirmed the effectiveness of Internal Audit during the year by conducting the annual internal audit assessment exercise;
- Received progress reports on implementation of the audit recommendations at every meeting;
- Received a report on the Commission's Business Continuity Plan test for 2016-17;
- Received a report on the Commission's schedule of losses for 2015-16;
- Received a report on the Commission's verification of fixed assets exercise for 2016-17;
- Received a report on the Welsh Government Minister's announcement regarding the Commission's electoral review work programme;
- Received a report on the Commission's inclusion in the Cardiff Business Improvement District;
- Received a report on the Commission's consideration of the implications and risks of the UK leaving the European Union;
- Received reports on Chair of ARAC meetings attended by the Committee's Chair;
- Considered the Statement of Responsibilities of the Auditor General for Wales and of the Bodies he Audits in Relation to Financial Statements;
- Considered the updated version of the Public Services Internal Audit Standards;
- Confirmed that the Commission had maintained satisfactory systems for budget monitoring, risk management review, whistleblowing and fraud, IT data security and gifts and hospitality;
- Was satisfied that the Commission's Accounting Officer could be substantially assured that the Commission's control, risk and governance arrangements in 2016-17 provided a sound and reasonable basis for his completion of the Governance Statement.

The minutes of the Commission's Audit and Risk Assurance Committee are published on the Commission's website.

3.7 Workforce Sub-Committee

The Commission's Workforce Sub-committee is a sub-committee of the Commission Board. The role of the Workforce Sub-committee is to consider workforce matters of a confidential or sensitive nature on behalf of the Commission Board and to report on such matters to the Board and, where appropriate, make recommendations.

3.8 Attendance Records

Commission Meetings 2016 – 17		
	Meetings held ¹	Meetings attended
O Watkin (Chair)	11	11
C Stradling (Deputy Chair)	11	11
D Powell (Member) ²	11	10
T Joloza (Member)	11	11
J May (Member) ³	11	10

Audit and Risk Assurance Committee Meetings 2016 – 17		
	Meetings held	Meetings attended
C Stradling (Chair)	3	3
D Powell (Member)	3	3
T Joloza (Member)	3	3
J James (Independent Member)	3	3

¹ the meeting scheduled for January 2017 was cancelled due to insufficient agenda items.

² D Powell was unable to attend the Commission meeting held on 28 March 2017.

³ J May was unable to attend the Commission meeting held on 25 October 2016.

3.9 Coverage of Work

The role of the Commissioners is to:

- provide effective leadership; defining and developing strategic direction and setting challenging objectives;
- promote high standards of public finance, upholding the principles of regularity, propriety and value for money;
- ensure that the Commission's activities are conducted efficiently and effectively;
- monitor performance to ensure that the Commission fully meets its aims, objectives and performance targets;
- represent the views of the Commission to the public and its stakeholders;
- oversee the progress on reviews to which they are appointed as 'lead commissioner'; and
- ensure that the reputation of the Commission is enhanced and maintained through the actions and decisions of the Commission and the way these are communicated to stakeholders.

The Audit and Risk Assurance Committee advises the Accounting Officer and Commission on:

- the strategic processes for risk, control and governance and the Governance Statement;
- the accounting policies, the accounts and the annual report of the Commission, including the process for review of the accounts prior to submission for audit, levels of error identified, and management's letter of representation to the external auditors;
- the planned activity and results of both internal and external audit;
- adequacy of management response to issues identified by audit activity, including external audit's management letter;
- assurances relating to the corporate governance requirements for the organisation;
- the soundness of budget monitoring arrangements;
- proposals for tendering for Internal Audit services or for purchase of non-audit services from contractors who provide audit services; and
- proposals for contentious accounting issues such as tendering procedures.

4. Risk Management

The Commission is committed to the regular identification and assessment of risk and has a Risk Management programme which is aimed at identifying, managing and monitoring all risks, Corporate, Operational and those risks specific to undertaking review work and to the administration of the pension scheme. The Commission aims to ensure that, in discharging its responsibilities to the Welsh Government, the likelihood of failing to deliver its Operational Plan and Strategic Objectives is minimised by means of anticipating and controlling known risks. The Chief Executive and senior management will establish and deliver the Risk Management Programme securing the recognition, assessment, regular review and amelioration of all risks. The Corporate Risks are presented to members in the form of a Corporate Risk Register, supported by a Risk Radar. The Audit and Risk Assurance Committee considers all Risk Registers together with the Risk Management policy at every meeting.

During 2016/17 the main risks identified and managed by the Commission were:

Risk Identified
Commission is unable to complete electoral reviews by 2021 in time for 2022 elections.
Commission fails to transition to a new IT platform by January 2019.
No contingency for loss of key staff covering review work and governance requirements.
Insufficient future funding and resources. Actual budgets for future years are less than estimated expenditure due to national economic situation / cost saving programmes undertaken by Welsh Government.

The risks of the Commission being unable to complete electoral reviews by 2021 in time for 2022 elections is mitigated by close liaison with Welsh Government officials to share estimated budget profiles together agreed policy and practice, drafting and agreeing a timetable for the review work, liaison with key stakeholders, maintaining individual risk registers for the review of each authority and ensuring that the necessary staff are in place and sufficiently trained to undertake the review work.

The risk of the Commission failing to transition to their planned new IT platform is mitigated against by continued liaison with Welsh Government officials and potential partners for a shared IT system with another Welsh Government sponsored body and keeping the Commission's IT Strategy under review and up-to-date.

The risk in respect of loss of key staff was mitigated by changing from seconded to directly employed staff, establishing and maintaining a sound staff structure and ensuring all policies and desk instructions are kept up to date.

The risk in respect of insufficient future funding was mitigated by liaison with Welsh Government regarding possible budget requirement scenarios and also estimated for several future years. Also the Commission obtaining sufficient resources to maintain a secretariat in Cardiff for the Parliamentary Boundary Commission for Wales both for undertaking reviews and during years when no review is being undertaken has helped mitigate this risk.

The Commission notes the negative reserve at 31 March 2017 shown on the Statement of Changes in Taxpayers' Equity within the Financial Statements which was a result of a late requirement for additional 2016-17 Grant in Aid from Welsh Government not being received until 3 April 2017 and therefore not included in the total figure for 2016-17 Grant in Aid received. However, This did not affect the liquidity of the Commission and a positive balance was regained on 3 April 2017.

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. There has been 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.

5. Internal Audit

The review of the effectiveness of the system of internal control and governance arrangements is informed by the work of the Internal Auditors and their reporting to the Commission. This work is undertaken by appointed auditors who structure their work based on an annual audit programme. The terms of reference for internal audit require that work is conducted in accordance the Public Sector Internal Audit Standards.

As part of the Commission's corporate business cycle the Commission's Internal Auditors, Deloitte, draws up an internal audit programme which is approved by the Audit and Risk Assurance Committee. The audit process uses the standard PSIAS auditing guidelines and other best practices with the aim of identifying potential weaknesses in controls. Each of these potential weaknesses is then assessed jointly with the auditors to consider the likely risk and scale of impact, and the alternative controls and potential improvements within the resources of the Commission.

The Internal Audit Opinion on Internal Control 2016-17 has been produced by Deloitte with the objective of supporting the Annual Governance Statement by giving an opinion on the level of internal control based on the internal work outlined below. The Internal Audit Opinion for 2016-17 states:

Based on the work we have undertaken during the year we are able to conclude that the Commission has a basically sound system of internal control, which should provide moderate assurance regarding the achievement of the Commission's objectives.

Mid-Year Audit Report 2016-17

Audit Area	Date Released	Weakness Identified			Assurance Level
		High priority	Medium priority	Low priority	
Information Security	October 2016	-	-	5	Moderate
IT General Controls	October 2016	-	1	1	Moderate

Annual Audit Report 2016-17

Audit Area	Date Released	Weakness Identified			Assurance Level
		High priority	Medium priority	Low priority	
Revenue and Receivables	January 2017	-	-	-	Substantial

6. External Audit

The Auditor General for Wales is the Commission's statutory auditor who audit the Commission's annual financial accounts in line with established practice.

The Audit conclusions for the 2015-16 financial year were reviewed at the July 2016 meeting of the Audit and Risk Assurance Committee. An unqualified opinion was given on the 2015-16 Accounts and no audit recommendations were raised.

The Audit conclusions for the 2016-17 financial year were reviewed at the July 2017 meeting of the Audit and Risk Assurance Committee. The Auditor General has reported that he intends to provide an unqualified opinion on the 2016-17 Accounts and three audit recommendations were raised.

7. Board Effectiveness

7.1 Induction, Development, Training and Performance Appraisal

New Commissioners and Audit and Risk Assurance Committee members are provided with an induction pack which includes information about the review work as well as all the corporate governance policies and procedures. The induction pack is provided in electronic format and individual documents are printed on request. As part of the Commissioners and Audit and Risk Assurance Committee members induction training is provided in respect of the process of carrying out an electoral review. An induction checklist specifically for independent Audit and Risk Assurance Committee members who are not Commission members is also provided. During 2016-17 one Audit and Risk Assurance Committee member received training for audit committee members provided by CIPFA.

Commissioners are encouraged to build links with members of other bodies that have interests in common with the Commission. There is a well-established arrangement of annual meetings between the various UK Boundary Commissions and there are also periodic meetings between the Commission Members and the Welsh Local Government Association, One Voice Wales and other stakeholder bodies. The Commission will also consider providing training opportunities for specific areas of expertise that have been identified to be of benefit to the Commission.

The Commission Chair's performance is appraised annually by the Deputy Director of the Commission's Welsh Government Sponsor Division. Commission Members' performance is appraised annually by the Commission Chair. For 2016-17 the Chair concluded that the performance of all Commission Members was fully satisfactory. The Independent Audit and Risk Assurance Committee Member's performance is appraised annually by the Chair of the Audit and Risk Assurance Committee. For 2016-17 the Chair of the Audit and Risk Assurance Committee concluded that the performance of the Independent Audit and Risk Assurance Committee Member was fully satisfactory.

7.2 Board Information

- Terms of Reference for Commission meetings have been adopted;
- A standard format for reports has been adopted. This ensures consistency and requires consideration of issues such as risks and legal implications;
- Authors of reports are encouraged to draw on available and reliable sources of information such as Welsh Government, local authorities, other Boundary Commissions, government departments etc.;
- A standard format for meeting agendas and minutes has been adopted. Standard agenda items to include, declarations of interest, issues arising, risk management, budget report and a calendar of events. The minutes of the Commission meetings are published and available on the Commission's website;
- Commission members have continued to use tablets for storing and viewing meeting papers and other documents relevant to their duties which has continued to reduce stationery costs associated with printing and copying meeting papers.

7.3 Performance Evaluation

A Post Review Questionnaire has been developed and will be used following the review of electoral arrangements for Welsh principal authorities.

8. Highlights of Commission Business

During 2016-17 the Commission:

- Revised their Corporate Plan and submitted it to Welsh Government;
- Continued planning for the future programme of review work and reviewed their future budget requirements;
- Commenced their programme of electoral review work of Welsh principal councils in January 2017 following a request from Welsh Government to do so;
- Published their Policy and Practice for the review of electoral arrangements for Welsh principal councils;

- Held initial electoral review meetings with Powys, Gwynedd and Ceredigion County Councils;
- Gave electoral review presentations to the Town and Community Councils of Powys, Gwynedd and Ceredigion;
- Published their Policy and Practice for reviews of Seaward Boundaries;
- Commenced a review of the seaward boundaries of the County Borough of Neath Port Talbot and the City and County of Swansea;
- published their Final Proposals Report for Neath Port Talbot County Borough Council's Community Review;
- Submitted their Operational Plan for 2016-17 to Welsh Government;
- Met the Welsh Government Cabinet Secretary for Local Government and Finance to explain the electoral review methodology;
- Reappointed their Independent Audit and Risk Assurance Committee Member for a further 3 years;
- Adopted Equality Impact Assessment procedures for its policies and practices in line with Welsh Government Guidance;
- Responded to the Welsh Language Commissioner's Welsh Language Standards Compliance Notice;
- Considered The Vale of Glamorgan County Borough Council's draft proposals for their review of the Community of Sully and Lavernock;
- Considered the Carmarthenshire Community Review of Llanelli Rural and Llangennech and resolved to sign and implement its first Order: The Carmarthenshire (Llanelli Rural and Llangennech Communities) Order 2016;
- Considered the Welsh Language Commissioner's Regulatory Framework;
- Drafted and adopted a Welsh Language Standards Transition Plan;
- Completed the annual Welsh Language Annual Monitoring Report;
- Reviewed their Terms of Reference and adopted revised versions as necessary;
- Agreed to adopt revised Terms of Reference for the Audit and Risk Assurance Committee as necessary;
- Met with the following stakeholders during 2016-17:
 - Welsh Government;
 - Welsh Local Government Association;
 - One Voice Wales;
 - Gwynedd County Council;
 - Ceredigion County Council;
 - Powys County Council; and
 - Rhondda Cynon Taff County Borough Council.
 - Office of the Welsh Language Commissioner.
- Conducted review 'induction' sessions with the Welsh Government Democracy team;
- Participated in biannual Heads of Government Offices meetings;
- Participated in the annual inter-commission meeting of UK boundary commissions;
- Met with the Chair of the Public Services Staff Commission;
- Met with the Chair of the Local Government Boundary Commission for England;
- Conducted a Staff Survey and considered the results;
- Conducted an exercise to verify their fixed assets;
- Tested their Business Continuity Plan;
- Revised their IT Strategy and considered options for future IT arrangements;
- Recruited four additional members of staff to assist with increased activity required by the local government and parliamentary review programmes; and

- Retained Green Dragon Level 2 accreditation.

9. Code of Corporate Governance

The Commission's arrangements comply with the principles of the Corporate Governance Code in all material respects.

10. Quality of Reporting to the Board

Following the standardisation of the format of reports and a system of checking the information contained in the reports, the Commission now finds the quality of data acceptable and will strive for further improvements in standardised review reporting to the Board.

11. Meetings with Sponsor Department

The Commission Chair and Chief Executive hold regular meetings with the Commission's Welsh Government Sponsor Division and there is frequent contact between members of the Secretariat and members of the Sponsor Division on operational issues. In addition, the Commission's Secretariat hold quarterly liaison meetings with representatives of the Commission's Welsh Government Sponsor Division to discuss progress on review work, corporate governance issues and any other issues arising regarding the operation of the Commission.

12. Declarations of Interest/Gifts and Hospitality

A Register of Members' interests is maintained and made available on the Commission's web site. An annual reminder is sent regarding the need to update this information. Arrangements are also in place for both members and officers to declare interests in respect of decision making at the start of each Commission and Audit and Risk Assurance Committee meeting.

A register of Gifts and Hospitality is maintained for members and staff. The Commission's Gifts and Hospitality Policy requires members and staff to declare offers of gifts of a value of £5 or above and hospitality of a value of £20 or above, whether accepted or declined and whether directly related to Commission business or not. The Gifts and Hospitality Register and declarations are considered at every Audit and Risk Assurance Committee meeting. 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).

13. Tax Assurance for Off-Payroll Employees

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.

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.

14. Complaints Scheme

The Commission's Complaints Policy was fully revised in January 2014 following a provision of the Local Government (Democracy) (Wales) Act 2013 which added the Commission to the listed authorities in Schedule 3 to the Public Services Ombudsman (Wales) Act 2005 and brought the Commission under the jurisdiction of the Public Services Ombudsman Wales.

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.

15. Performance Management

A performance management system is in place to ensure that members of staff understand what they are doing and why, and how their work links with what the Commission is trying to achieve. It is mandatory for all staff to have a completed Performance Management Review (PMR) and all managers are required to set objectives for their staff and carry out mid-year and year-end reviews of their performance. This includes a full career and job related Personal Development Plan to aid the development of staff.

Following a recommendation made by the Commission's Internal Auditors the Commission has updated their staff Performance Management Review Forms to make it clear how the objectives of individual staff members link to the Commission's corporate objectives.

The performance of Commission members is assessed by the Commission Chair annually and the performance of the Commission in undertaking its duties is monitored at Commission meetings.

16. Whistleblowing and Fraud

The Commission operates Whistleblowing and Fraud Policies which are made available to staff through the Commission's intranet and Commission Members as part of the induction packs issued to them following appointment. The Commission's Whistleblowing arrangements, together with a report of any instances of whistleblowing and fraud, are considered at every Audit and Risk Assurance Committee meeting. There were no instances of whistleblowing or suspected fraud during 2016-17.

17. Data Handling and Data Security

Although personal data handled by the Commission is largely limited to that relating to the Commission’s employees, information security obligations are treated seriously. ‘Protecting Information’ training has been undertaken by all staff and all personal data files are kept in locked cabinets. The Commission utilises the Welsh Government’s IT system and Commission members of staff are required to comply fully with Welsh Government IT data security rules and procedures.

There was one data security incident during 2016-17 which occurred when an email with an attachment containing personal details of staff members was inadvertently sent to the wrong recipient. The Commission was able to contact the recipient and have the email and attachment deleted. Following this incident the staff member involved undertook further data handling training. Further to this, it is intended that all Commission staff will have undertaken data handling training by 31 March 2017.

18. Audit and Risk Assurance Committee Issues to be Addressed

The Commission’s Audit Committee’s self-assessment of effectiveness for 2016-17 did not identify any issues requiring future action.

SIGNED _____ DATE _____
Owen Watkin
Chair

SIGNED _____ DATE _____
Steve Halsall
Chief Executive and Accounting Officer

Remuneration and Staff Report

Service Contracts

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

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

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

Remuneration Policy

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.

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 5 and disclosed in the staff costs table on page 28.

Annual increases in salary are applied in accordance with those agreed for staff of the Welsh Government and no performance bonuses are applicable.

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

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

Name	2016-17 Fees £'000	2015-16 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

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.

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

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

'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

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

Bonuses

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

Fair Pay Disclosure

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

The banded remuneration of the highest paid director in the 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).

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).

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

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.

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).

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.

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).

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

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying

additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

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

Compensation for loss of office

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

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.

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

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.

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

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

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

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.

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.

STEVE HALSALL

Accounting Officer
26 July 2017

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 37 to 43 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>	4,614
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 37 to 43 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		(403,431)	(469,132)
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(1,153)	(1,206)
Net cash outflow from investing activities		(1,153)	(1,206)
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		26,982	17,418

The notes on pages 37 to 43 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 37 to 43 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.