

**LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR  
WALES**

**Annual Report and Financial Statements**

**For the year ending 31 March 2018**



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## **CHAIR'S FOREWORD**

The Commission is pleased to present its Annual Report for 2017-18.

The Report contains information about the Commission, its activities, and the governance arrangements for the reporting period. The main focus of the Commission's activity for the year was implementing the decision of Welsh Ministers that it should review the electoral arrangements of the Principal Councils in Wales by 2021. The first of the Draft Reports of electoral reviews were completed during the reporting year, and were published, and discussed with Councils.

We hope that this Annual Report will assist in informing you more about work of the Commission, how it went about its tasks, and how the Grant-in Aid allocated to it by Welsh Government was used.

Owen Watkin OBE DL  
Chair

5<sup>th</sup> June, 2018

# **PERFORMANCE REPORT**

## **for the year ended 31 March 2018**

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### **OVERVIEW**

This section gives a summary of the Commission's purpose, corporate objectives, the key risks to the achievement of its objectives and how it has performed during the year

### **Chief Executive's Statement on the Performance of the Commission**

The Local Democracy and Boundary Commission for Wales (the Commission)'s Remit Letter of February 2017 issued by Welsh Government Cabinet Secretary for Finance and Local Government set out what the Commission should achieve during the financial year 2017-18. A subsequent operational plan setting out how the Commission would achieve its objectives was submitted to Welsh Government. I consider that the Commission met all of its objectives to a satisfactory degree. This is considered in more detail under the Performance Analysis and Review of Activities during 2017-18 sections of this report below on pages 3 to 8.

### **Statement of Purpose and Activities**

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

The purpose of the Commission is:

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

The Commission are required under the 2013 Act to carry out reviews of 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 its 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 its 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 its 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 Objectives are:

- 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 and meet the Welsh Government Cabinet Secretary for Finance and Local Government's requirements set out in his annual Remit Letter to the Commission. 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 Corporate, Operational and Pensions Risk Registers. The Corporate Risk Register is reviewed at every Commission meeting and all risk registers are reviewed at every 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 17.

## 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 Summary

During the 2017-18 The Commission worked towards meeting the requirements of its Remit Letter and keeping to deadlines set in its timetable for the review of electoral arrangements for principal authorities in Wales. The Commission considers that it successfully met both of these aims as set out in the Performance Analysis below.

## PERFORMANCE ANALYSIS

For 2017-18 the Welsh Government Cabinet Secretary for Finance and Local Government's Remit Letter issued on 17 February 2017 stated that he expected the Commission to:

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

The Commission's operational plan set out how it intends to fulfil the Cabinet Secretary's requirements. The following details the proposed actions and to what extent they were fulfilled:

To commence the electoral review programme with the aim of completing all 22 reviews in accordance with the published timetable.	The Commission published Draft Proposals reports for the proposed electoral arrangements of 3 principal councils and met with 7 other principal councils to formally commence the reviews of their electoral arrangements. Throughout 2017-18 the Commission met with officials of the Association of Electoral Administrators, the Electoral Commission, the Independent Remuneration Panel, the Department for Business, Energy and Industrial Strategy and the Welsh Government Cabinet Secretary and officials. The Commission also met with the Chief Executives of Conwy, Pembrokeshire, Torfaen, Carmarthenshire, Denbighshire, Blaenau Gwent, Swansea and Bridgend Principal Councils in preparation to starting the reviews of their Council's electoral arrangements.
To prepare guidance for Principal councils on conducting community reviews.	The Commission drafted the Community Review Guidance in April 2017. Consultation on the Guidance was undertaken during July 2017 and the final version of the Community Review Guidance was published in December 2017.

To keep under review the boundaries of principal areas.	The Commission completed its Swansea and Neath Port Talbot Seaward Boundaries Review, publishing Draft Proposals in May 2017 and Final Proposals in October 2017.
To ensure that all aspects of reviews are quality assured	The Deputy Chief Executive oversees the quality management system which includes manual checks and proof reading. Commission Members are assigned as a lead on each review and undertake further quality checks during the review process. Regular progress reports are presented to the Board. Detailed desk instruction for the electoral reviews were continuously revised and updated. Checklists covering important actions for each review were maintained.
To maintain continuous review and improvement of the Commission's corporate governance and seek value for money when procuring services.	<p>The Commission held 3 Audit and Risk Assurance Committee meetings during 2017-18 to monitor and evaluate overall governance and risk management arrangements on 26 July 2017, 22 November 2017 and 21 February 2018.</p> <p>The Commission reviewed on a quarterly basis the governance processes for producing the annual Governance Statement June 2017, August 2017, December 2017 and February 2018 and 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. 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 June 2017, November 2017 and January 2018.</p>

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

The Commission's Corporate Plan agreed in November 2016 sets out the corporate objectives. Each objective is set out below together with the actions taken by the Commission to meet them:

1. Ensuring principal area electoral arrangements are fit for purpose – developing a programme of electoral reviews in line with Welsh Government policy objectives.

- Developed and published programme of electoral reviews in 2016.
  - Commenced programme of electoral reviews in late 2016-17.
  - Programme of electoral reviews complied with Electoral Reviews Policy and Practice.
  - During 2017-18 the Commission has continued delivery of reviews with progress reports at every meeting.
  - Currently on track to deliver electoral review programme by 2021 target date.
2. 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.
- Consulted on and published Community Reviews Guidance.
  - Contributed to the work of the Welsh Government's Independent Review Panel on the future role of community and town councils.
  - Monitoring the situation with Monmouthshire County Councils community review.
  - Commission has provided advice to principal councils regarding the conduct of community reviews as required.
3. Ensuring the boundaries of principal council areas are fit for purpose – As appropriate review principal area boundaries.
- Reviewed Seaward boundary between Swansea and Neath Port Talbot and submitted proposals to Welsh Ministers within the agreed timetable.
4. 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.
- Reviewed Risk Register and budget monitoring at every meeting.
  - Internal Audit reports with high level assurance ratings.
  - Good annual Audit Opinion from Internal Audit.
  - Engaged with all principal, town and community councils at the start of each electoral review.
  - Met with Welsh Government Cabinet Secretary and sponsor division, One Voice Wales, Independent Remuneration Panel and the Association of Electoral Review Officers.
  - The Commission's electoral review portal demonstrates efficiency, excellence and engagement with stakeholders.
  - Developing a new IT platform with another WGSB.
  - Staff training throughout the year including use of the reviews portal, MS Excel and MS Access. The Commission's 2017-18 staff survey results showed that:
    - I. 100% of Commission staff considered that they were able to access the right learning and development opportunities when they needed to.
    - II. 90% of Commission staff considered that they were able to access the right learning and development opportunities when they needed to.
    - III. 70% of Commission staff considered that there were opportunities for them to develop their career in the organisation.

- IV. 70% of Commission staff considered that the Learning and development activities they had completed while working for the Commission were helping them to develop their career.

Some areas for this objective where the Commission would have liked to have done better on.

- Some policies were not reviewed by their deadline due to staffing issues.
  - The number of Welsh speaking staff was not as high and the in-house Welsh language expertise not as strong as the Commission would have liked.
  - The Commission could adopt In-house Welsh Language coaching for staff for such areas as the pronunciation of Welsh place names.
5. Ensuring that the Welsh Government's principles in respect of sustainable development, equality and diversity and the Welsh language are embedded in our work.
- Welsh Language embedded in every document produced by the Commission.
  - Commission fully compliant with Welsh Language Standards.
  - Commission undertakes Green Dragon auditing annually.
  - Commission staff have commenced Equality and Diversity Impact Assessment Training.
  - Although not subject to the Wellbeing of Future Generations Act, the Commission takes on board the spirit of the Act.
  - The Commission's electoral reviews aim for equality of votes which results in equality in the community.

## **Review of Activities during 2017-18**

During 2017-18 the Commission published Draft Proposals Reports for its reviews of the electoral arrangements for Ceredigion and Gwynedd in January 2018, Powys in February 2018 and Conwy in March 2018. The Commission held meetings with Conwy, Pembrokeshire, Torfaen, Carmarthenshire, Denbighshire, Blaenau Gwent, Bridgend and Swansea Councils in preparation for the initial stages of the electoral reviews of these principal authorities.

The Commission undertook a review of the seaward boundaries of the County Borough of Neath Port Talbot and the City and County of Swansea. The Draft Proposals Report was published in May 2017 and the Final Proposals Report in November 2017.

The Commission undertook the necessary work to meet the requirements of the Welsh Language Standards Compliance Notice from the Welsh Language Commissioner during the year and published its Welsh Language Annual Report for 2016-17 in July 2017.

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

The Commission continued to provide a Secretariat to the Boundary Commission for Wales during 2017-18, for which the Commission received funding for expenditure directly from the Cabinet Office. The 2017-18 funding relating to the Boundary Commission for Wales was £261,468 (2016-17; £416,064), as disclosed in the staff costs section of the Remuneration Report on page 26. A further decrease in funding is expected for 2018-19 as

the volume of parliamentary review work decreases leading up to the publication of the final proposals.

## **Future Developments**

During 2018-19 the Commission will continue its timetable of electoral review work programme for principal authorities in Wales by commencing the initial stages of the electoral reviews for Merthyr Tydfil, Swansea, Neath Port Talbot, Rhondda Cynon Taf, Wrexham, Flintshire, Newport, Caerphilly, Cardiff and The Vale of Glamorgan. The Commission also intends to publish draft proposals for the review of electoral arrangements for Pembrokeshire, Torfaen, Carmarthenshire, Denbighshire, Blaenau Gwent, Bridgend, Merthyr Tydfil. The Commission intends to publish final proposals for the review of electoral arrangements for Ceredigion, Gwynedd, Powys, Conwy and Pembrokeshire.

The Commission will also carry out its role in any future community reviews to be undertaken by Wales' principal councils and will 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 will be putting a new ICT system in place during 2018-19 which will replace the current arrangement in which the Commission is included as part of the Welsh Government's ICT system. The Commission has also acquired an online portal to improve communication with stakeholders as part of the review of principal authority electoral arrangements.

The Commission's current Chief Executive will be retiring during 2018-19 and the Commission will be assisting the Welsh Government and Cabinet Office's recruitment exercise to appoint a suitable replacement.

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 £646,774 (2016-17; £446,328) and this has been transferred to the general reserve. Grant-in-Aid received from the Welsh Government amounted to £648,304 (2016-17; £414,148) 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 2017-18, the Commission received 296 invoices and paid 99% of these within 30 days and 91% within 10 days (2016-17, received 298 invoices and paid 99.5% of these within 30 days and 98% 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 during 2018-19 will be comparable to the previous year due to the continuation of the programme of electoral review work which commenced in January 2017 and that this 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  
25 July 2018

# **ACCOUNTABILITY REPORT**

## **for the year ended 31 March 2018**

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### **CORPORATE GOVERNANCE REPORT**

#### **Commission Members, Chief Executive and Senior Staff**

The Commission Members throughout 2017-18 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 2017-18 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.

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 were no data security incidents during 2017-18 (one data security incident during 2016-17).

### **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 3 to these accounts.

### **Audit and Risk Assurance Committee**

The Audit and Risk Assurance Committee met on three occasions during the year 2017-18. 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.

### **Financial Instruments**

Details of Financial Instruments are given at Note 6 to the accounts on page 39.

### **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 2017-18 there were 25 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 2016-17 where there were 19 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 2017-18.

## **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. During 2017-18 members and staff received no offers of hospitality or gifts (2016-17: hospitality offers on 4 occasions with an estimated total value of £216 were accepted).

## **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](http://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 no complaints during 2017-18 (one complaint was received during 2016-17).

## **Welsh Language Standards**

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 issues annual reports giving details of how it has complied with the Welsh Language Standards as imposed in the Welsh Language Commissioner's 2016 Final Compliance Notice to the Commission. A copy of the 2017-18 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  
25 July 2018

# ANNUAL GOVERNANCE STATEMENT

2017/18

## 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 Code<sup>1</sup>.

## 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 2017-18 is that the level of governance throughout the year has been sound. The Audit and Risk Assurance Committee’s annual self-assessment exercise for 2017-18 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 out the broad framework within which the Commission operates and details the terms

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<sup>1</sup> [http://www.hm-treasury.gov.uk/psr\\_governance\\_corporate.htm](http://www.hm-treasury.gov.uk/psr_governance_corporate.htm)

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.

### **3.3 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.

### **3.4 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 2017-18 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 which meets as required.

The corporate management team 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.

### 3.5 The Commission

The Commission is responsible for the strategic direction and management of our organisation. The role of the Commissioners is to make key decisions on corporate policy and the formulation of the Corporate and Operational Plans. They also promote high standards of public finance, upholding the principles of regularity, propriety and value for money and ensure that the Commission's activities are conducted efficiently and effectively.

During 2017-18 the Commission prepared and monitored the Operational and Corporate Plans, reviewed the Risk Register and received updates on Welsh Language Standards. Focus of policy during the year was overseeing delivery of the Operational Plan and ensuring the programme of electoral review work is remained on target for delivery by 2021.

The Commission met 12 times during 2017-18 to discharge its responsibilities. Commission Members attendance at these meetings is set out below:

Commission Meetings 2017 – 18		
	Meetings held	Meetings attended
O Watkin (Chair)	12	12
C Stradling (Deputy Chair)	12	12
D Powell (Member)	12	12
T Joloza (Member) <sup>1</sup>	12	9
J May (Member)	12	12

<sup>1</sup> T Joloza was unable to attend the Commission meetings held on 24 October, 21 November and 19 December 2017.

### 3.6 Audit and Risk Assurance Committee

During 2017-18 the Committee scrutinised the Corporate Risk Register and risk management arrangements together with the Assurance Framework, internal controls and governance arrangements and provided assurance to the Commission that the systems, processes and behaviours that exemplify good governance and effective operation are in place. The Committee received all audit reports and monitored the progress of audit recommendations raised. They also assessed the effectiveness of internal audit.

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

The Audit and Risk Assurance Committee met 3 times during 2017-18 to discharge its responsibilities. Committee Members attendance at these meetings is set out below:

Audit and Risk Assurance Committee Meetings 2017 – 18		
	Meetings held	Meetings attended
C Stradling (Chair)	3	3
D Powell (Member)	3	3
T Joloza (Member) <sup>1</sup>	3	2
J James (Independent Member) <sup>2</sup>	3	2

<sup>1</sup> T Joloza was unable to attend the Committee meeting held on 22/11/17.

<sup>2</sup> J James was unable to attend the Commission meeting held on 21/02/18.

### 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 Challenges During the Year

During 2017-18 the Commission completed a Seaward Boundary Review for the first time with the Final Recommendations Report being submitted to Welsh Ministers in November 2017. This review of the seaward boundaries between Swansea and Neath Port Talbot was undertaken following a request by Tidal Lagoon (Swansea Bay) PLC to extend the seaward boundaries of Swansea and Neath Port Talbot in order to allow the Local Authorities to monitor, regulate and conduct enforcement activities relating to the construction and operation of the Swansea Bay Tidal Lagoon Project.

The Commission made significant progress on its reviews of electoral arrangements for principal authorities which commenced in late 2016-17. During 2017-18 the Commission held meetings with principal authorities and published Draft Proposals Reports in respect of Ceredigion, Gwynedd, Powys and Conwy. The Commission also prepared and published Guidance for Principal Councils on the Review of Communities as requested by the Cabinet Secretary in his 2017-18 Remit Letter to the Commission.

## 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 2017/18 the main risks identified and managed by the Commission were:

<b>Risk Identified</b>	<b>Mitigating Action</b>
Commission is unable to complete electoral reviews by 2021 in time for 2022 elections.	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 Commission fails to achieve good value for money when renewing the lease on its accommodation.	A Valuer employed to review terms of new lease and negotiate lease charges with landlord. Regular progress reports to the board.
No contingency for loss of key staff covering review work and governance requirements.	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.

## 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, Deloitte, and their reporting to the Commission. This work is undertaken by appointed auditors, Deloitte, 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 (PSIAS).

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 2017-18 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 Assurance Statement for 2017-18 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 substantial assurance regarding the achievement of the Commission's objectives.*

## Mid-Year Audit Report 2017-18

Audit Area	Date Released	Weakness Identified			Assurance Level
		High priority	Medium priority	Low priority	
Corporate Governance	October 2017	-	-	-	Substantial
Risk Management	October 2017	-	-	2	Substantial
Human Resources	October 2017	-	-	1	Substantial

## Annual Audit Report 2017-18

Audit Area	Date Released	Weakness Identified			Assurance Level
		High priority	Medium priority	Low priority	
Travel, Subsistence and Other Expenses	January 2018	-	-	1	Substantial
Civil Service Pension Arrangements	January 2018	-	1	-	Moderate

## 6. EXTERNAL AUDIT

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

The Audit conclusions for the 2016-17 financial year were reviewed at the July 2017 meeting of the Audit and Risk Assurance Committee. An unqualified opinion was given 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.

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 2017-18 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 2017-18 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 Board Performance Evaluation**

The Commission and the Audit & Risk Assurance Committee each carried out an annual self-assessment review of its performance by means of a questionnaire completed by members. Overall, the findings of these evaluations were positive during 2017/18 and concluded that the vast majority of the indicators of effectiveness and compliance with good practice had been met. Areas identified for improvement are captured in action plans and addressed during the following year. As 2017-18 was the first year during which the Commission has evaluated its performance in this way there were no previous year's action points to be addressed. The evaluation of the Audit & Risk Assurance Committee did not raise any action points.

## **8. CODE OF CORPORATE GOVERNANCE**

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

## **9. 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.

## **10. 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.

## **11. 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 its 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.

## **12. 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 2017-18 (2016-17 – no whistleblowing incidents).

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](http://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 6 and disclosed in the staff costs table on page 27.

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

	2017-18	2016-17
Name	Fees £'000	Fees £'000
Mr O Watkin (Chair – LDBCW)	10	7
Mr C Stradling (Deputy Chair – LDBCW)	5	4
Mr D Powell (Member – LDBCW)	6	4
Mrs J May (Member – LDBCW)	6	3
Mr M T Joloza (Member – LDBCW)	5	4
Mrs J James (Independent Audit Committee Member – LDBCW)	1	1
Mr P Loveluck (Member – BCW)	6	6
Prof. R McNabb (Member – BCW)	5	3

The Commission members' remuneration related entirely to fees for services rendered during the year. Pension contributions are not payable.

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.

During 2017-18 the BCW also employed two Assistant Commissioners, Mr Emyr Wyn Jones and Mr Rhodri Lewis, on a temporary basis to report on Public Hearings held as part of the 2018 Review of Parliamentary Constituencies in Wales. The remuneration of the Assistant Commissioners for 2017-18 was £4,044 (2016-17 £8,846) and £6,066 (2016-17 £7,583).

### Senior Managers' Salary and Pension Entitlements

Single total figure of remuneration						
Official	Salary (£'000)		Pension Benefits (to nearest £1,000) <sup>1</sup>		Total (£'000)	
	2017-18	2016-17	2017-18	2016-17 (restated)	2017-18	2016-17 (restated)
Mr S R Halsall (Chief Executive)	55-60	55-60	10,000	42,000	65-70	100-105
Mr M Redmond (Deputy Chief Executive)	40-45	40-45	24,000	22,000	65-70	65-70

<sup>1</sup> The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

### Number of Senior Managers

The Commission employed 2 senior managers during 2017-18 (2016-17: 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 5% recruitment and retention allowance at the start of 2017-18 which was approved by Welsh Government and backdated to January 2017. During 2017-18 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.

### 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 2017-18 was £55-60,000 (2016-17: £55-60,000). This was 2.0 times (2016-17: 2.16 times) the median remuneration of the workforce, which was £28,770 (2016-17: £26,667).

In 2017-18, 0 (2016-17, 0) employees received remuneration in excess of the highest paid director. Remuneration ranged from £23,625 to £58,185 (2016-17: £22,575 to £56,900).

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.

### 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 2017-18 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 slips 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.

### Pension Benefits

Name	Accrued pension at pension age as at 31/03/18 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/18	CETV at 31/3/17	Real increase in CETV	Employer contributions to partnership pension accounts
	£'000	£'000	£'000	£'000	£'000	
Mr S R Halsall Chief Executive	35 – 40 plus lump sum of 50 – 55	0 – 2.5 plus lump sum of 0	719	699	9	-
Mr M Redmond Deputy Chief Executive	5 – 10	0 – 2.5	80	66	8	-

### 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 4.6% and 8.05% for members of **classic**, **premium**, **classic plus**, **nuvos** and **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 updated 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](http://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 2017-18 (and no payments were made during 2016-17).

### Staff Numbers and Related Costs

	2018 Permanently employed staff £	2018 Inward Secondments £	2018 Agency Staff £	2018 Commission Members £	2018 Total £
Wages and salaries	310,238	69,722	34,963	53,182	468,105
Social security costs	28,643	6,653	-	2,178	37,474
Pension costs	65,564	13,769	-	-	79,333
VAT	-	18,213	-	-	18,213
<b>Total Net Costs</b>	<b>404,445</b>	<b>108,357</b>	<b>34,963</b>	<b>55,360</b>	<b>603,125</b>

### 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	-	-	10	19
Other	-	3	1	-	4
<b>Total Staff</b>	<b>9</b>	<b>3</b>	<b>1</b>	<b>10</b>	<b>23</b>

Comparatives (restated):

	2017 Permanently employed staff £	2017 Inward Secondments £	2017 Agency Staff £	2017 Commission Members £	2017 Total £
Wages and salaries	288,533	27,971	27,911	56,840	401,255
Social security costs	26,192	2,412	-	3,019	31,623
Pension costs	59,907	6,117	-	-	66,024
VAT	-	7,300	-	-	7,300
<b>Total Net Costs</b>	<b>374,632</b>	<b>43,800</b>	<b>27,911</b>	<b>59,859</b>	<b>506,202</b>

### 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
<b>Total Staff</b>	<b>9</b>	<b>1</b>	<b>1</b>	<b>10</b>	<b>21</b>

The Commission pays VAT on the salary costs of staff inwardly seconded from other government departments. The VAT is not recoverable as the Commission is not VAT registered.

The above costs include £147,238 (2016-17; £165,100) in respect of staff resources and £22,567 (2016-17; £35,870) in respect of members' remuneration expended on behalf of the Boundary Commission for Wales. The decreased costs compared to the previous year were due to a significant decrease in work undertaken for the 2018 Review of Parliamentary Constituencies in Wales.

For 2017-18, employers' contributions of £65,564 were payable to the PCSPS and **alpha** (2016-17 £59,906) at one of four rates in the range 20.0% to 24.5% (2016-17: 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 two Team Support Officers. Directly employed staff have salary bands and terms and conditions of service analogous with Welsh Government staff of corresponding grades. Three members of staff were inwardly seconded staff from other government departments. 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 2017-18 the Commission employed 23 full time equivalent staff and commission members (including agency and temporary staff), 6 female and 17 male (2016-17: 21 full time equivalent staff and commission members, 5 female, 16 male). The Commission's management team headcount was 4 male staff members and 1 female staff member. The table below shows full time equivalent and headcount staff numbers for 2017-18.

Pay Band	Male				Female			
	FTE	%	Headcount	%	FTE	%	Headcount	%
Commission Member	8	80	9	82	2	20	2	18
Executive Band 2	1	100	1	100	0	0	0	0
Management Band 1	1	100	1	100	0	0	0	0
Management Band 2	1	100	2	67	0	0	1	33
Management Band 3	5	71	5	71	2	29	2	29
Team Support	1	33	2	40	2	67	3	60
<b>Total</b>	<b>17</b>	<b>74</b>	<b>20</b>	<b>71</b>	<b>6</b>	<b>26</b>	<b>8</b>	<b>29</b>
Prior year total	16	76	20	77	5	24	6	23
Variance	+1	-2	-	-6	+1	+2	+2	+6

### Equal Opportunities

The Commission is committed to a policy of equality of opportunity in its employment practices and aims to ensure that no potential or actual employee receives more or less favourable treatment on the grounds of age, disability, ethnic or national origin, gender, marital or parental status, nationality, political belief, race, religion or sexual orientation. The Commission ensures that appropriate facilities are available for disabled employees.

### Sickness Absence

During 2017-18 ten of the Commission's permanent staff were absent on sick leave for a total of 78 days (2016-17 – seven of the Commission's permanent staff were absent on sick leave for a total of 83 days).

### Health and Safety

The Commission operates a Staff Health and Safety policy and Manual Handling policy and has an independent fire risk assessment and health and safety review carried out annually.

**STEVE HALSALL**

Accounting Officer

25 July 2018

# **The Certificate and independent auditor's report of the Auditor General for Wales to the National Assembly for Wales**

## **Report on the audit of the financial statements**

### **Opinion**

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 2018 under 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, Statement of Changes in Tax Payers' Equity and related notes, including a summary of significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and HM Treasury's Financial Reporting Manual based on International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In my opinion the financial statements:

- give a true and fair view of the state of the Commission's affairs as at 31 March 2018 and of its net expenditure, for the year then ended; and
- have been properly prepared in accordance with Welsh Ministers directions issued under the section 19 of the Local Government (Democracy) (Wales) Act 2013.

### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK (ISAs (UK)). My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Conclusions relating to going concern**

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Accounting Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The Accounting Officer is responsible for the other information in the annual report and accounts. The other information comprises the information included in the annual report other than the financial statements and my auditor's report thereon. My opinion on the

financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information 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 report.

### **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.

### **Report on other requirements**

#### **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.

In my opinion, based on the work undertaken in the course of my audit:

- the information given in the Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Accountability Report has been prepared in accordance with Welsh Ministers' guidance;
- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and the Performance Report has been prepared in accordance with Local Government (Democracy) (Wales) Act 2013.

### **Matters on which I report by exception**

In the light of the knowledge and understanding of the Commission and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report or the Governance Statement.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- 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.

## **Responsibilities**

### **Responsibilities of the Accounting Officer for the financial statements**

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the financial statements in accordance with the Local Government (Democracy)(Wales) Act 2013 and Welsh Ministers' directions made there under, for being satisfied that they give a true and fair view and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the body's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

### **Responsibilities for regularity**

The Accounting Officer is responsible for ensuring the regularity of financial transactions.

I obtain sufficient evidence 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.

**Anthony Barrett**  
**On behalf of the Auditor General for Wales**  
**30 July 2018**

**24 Cathedral Road**  
**Cardiff**  
**CF11 9LJ**

# FINANCIAL STATEMENTS

## LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

### STATEMENT OF COMPREHENSIVE NET EXPENDITURE for the year ended 31 March 2018

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	Notes	2018 £	2017 £
Income	4	<u>(261,618)</u>	<u>(416,095)</u>
<b>Total Operating Income</b>		<u><b>(261,618)</b></u>	<u><b>(416,095)</b></u>
<b>COSTS</b>			
Staff costs	2	<b>603,125</b>	506,202
Other operating expenditure	3	<u><b>305,267</b></u>	<u>356,221</u>
<b>Total Operating Expenditure</b>		<u><b>908,392</b></u>	<u>862,423</u>
<b>Net Operating Expenditure</b>		<u><u><b>646,774</b></u></u>	<u><u>446,328</u></u>
<b>Comprehensive Net Expenditure for the Year</b>		<u><u><b>646,774</b></u></u>	<u><u>446,328</u></u>

All activities are classed as continuing

The notes on pages 36 to 42 form part of these accounts.

# LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

## STATEMENT OF FINANCIAL POSITION as at 31 March 2018

	Notes	31 March 2018 £	31 March 2017 £
<b>NON-CURRENT ASSETS</b>			
Property, Plant and Equipment	5	<u>8,516</u>	<u>20,541</u>
<b>Total non-current assets</b>		<u><b>8,516</b></u>	<u><b>20,541</b></u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	7	<u>6,394</u>	<u>11,590</u>
Cash and cash equivalents	8	<u>52,667</u>	<u>26,982</u>
<b>Total current assets</b>		<u><b>59,061</b></u>	<u><b>38,572</b></u>
<b>Total assets</b>		<u><b>67,577</b></u>	<u><b>59,113</b></u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	<u>(61,458)</u>	<u>(61,905)</u>
<b>Total current liabilities</b>		<u><b>(61,458)</b></u>	<u><b>(61,905)</b></u>
<b>Total assets less current liabilities</b>		<u><b>6,119</b></u>	<u><b>(2,792)</b></u>
<b>FINANCED BY:</b>			
General reserves		<u>6,119</u>	<u>(2,792)</u>
		<u><b>6,119</b></u>	<u><b>(2,792)</b></u>

The notes on pages 36 to 42 form part of these accounts.

The Accounting Officer authorised these financial statements for issue on 25 July 2018

**STEVE HALSALL**  
Accounting Officer  
25 July 2018

# LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

## STATEMENT OF CASH FLOWS for the year ended 31 March 2018

	Notes	2018	2017
		£	£
<b>Cash flows from operating activities</b>			
Net operating costs		<b>(646,774)</b>	(446,328)
Adjustments for:			
Decrease / (Increase) in trade and other receivables		<b>5,196</b>	(6,976)
Depreciation	5	<b>20,667</b>	14,884
Increase / (Decrease) in trade payables		<b>(447)</b>	34,989
<b>Net cash outflow from operating activities</b>		<b><u>(621,358)</u></b>	<b><u>(403,431)</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(1,261)</b>	(1,153)
<b>Net cash outflow from investing activities</b>		<b><u>(1,261)</u></b>	<b><u>(1,153)</u></b>
<b>Cash flows from financing activities</b>			
Grant in Aid from the Welsh Government		<b>648,304</b>	414,148
<b>Net financing</b>			
Net increase /(decrease) in cash and cash equivalents at the start of the period	8	<b>25,685</b>	9,564
Cash and cash equivalents at the beginning of the period	8	<b>26,982</b>	17,418
Cash and cash equivalents at the end of the period		<b><u>52,667</u></b>	<b><u>26,982</u></b>

The notes on pages 36 to 42 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

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	General Reserve £
<b>Balance at 31 March 2016</b>	29,388
Changes in accounting policy	-
<b>Restated balance at 1 April 2016</b>	<u>29,388</u>
<b>Changes in tax payers' equity 2016-17</b>	
Grant in Aid from Welsh Government	414,148
Comprehensive Expenditure for the year	(446,328)
<b>Balance at 31 March 2017</b>	<u>(2,792)</u>
<b>Changes in taxpayers' equity for 2017-18</b>	
Grant in Aid from Welsh Government	648,304
Comprehensive Expenditure for the year	(646,774)
Donation of Assets	7,381
<b>Balance at 31 March 2018</b>	<u>6,119</u>

The notes on pages 36 to 42 form part of these accounts.

# LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2018

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### 1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2017-18 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 accounted for as revenue expenditure and are therefore charged in full when goods and services have been received. 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 Commission 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.

#### **1.8 Income**

Receivables other than Grant-in-Aid from the Welsh Government are regarded as income rather than funding. The main source of income received is from the Cabinet Office on an accruals rather than cash basis to meet the cost of maintaining a parliamentary Boundary Commission for Wales Secretariat in Cardiff.

#### **1.9 Inventories**

The Commission does not hold any stock of material value.

#### **1.10 Value Added Tax (VAT)**

All expenditure is charged inclusive of VAT as the Commission is not registered for VAT and therefore unable to recover recoverable VAT.

#### **1.11 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.

#### **1.12 Management of Financial Risk**

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

#### **1.13 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.

## **1.14 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.

### **1.14.1 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.

### **1.14.2 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.

### **1.14.3 Trade and other payables**

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

### **1.14.4 Borrowings**

There are no interest bearing loans or overdrafts.

### **1.14.5 Impairment**

The carrying value of the Commission's 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.

1.14.6 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.

## **1.15 Operating Leases**

The Commission's offices at Hastings House are due to be leased for 5 years until 31 March 2023 pending the outcome of negotiations over the terms of the lease. 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.

## 2. STAFF COSTS

Staff costs for the year amounted to £603,125 (2016-17; £506,202) and were comprised of £468,105 (2016-17; £401,255) in salaries and wages, £37,474 (2016-17; £31,623) in social security costs, £79,333 (2016-17; £66,024) in pension costs and £18,213 (2016-17; £7,300) in VAT on inward seconded staff costs. A more detailed breakdown of these costs is provided in the Remuneration Report on page 26.

## 3. OTHER OPERATING EXPENDITURE

	2018 £	2017 £
Running Costs		
Travel and Subsistence Staff	8,450	18,420
Travel and Subsistence Commission Members	11,018	11,709
Course Fees and Staff Training	4,908	7,358
Auditor General for Wales – annual audit fee	8,400	8,400
Internal Audit Fees	6,417	6,229
Media and Advertising	10,708	19,844
Translation	29,081	68,931
Printing, postage and stationery	36,995	38,188
Telephone and contracts	1,600	1,668
Accommodation costs	23,900	22,986
Legal and professional	12,820	6,814
Non-capital computer costs	68,539	78,188
Other	2,499	1,896
Rentals under operating leases	59,264	50,706
Non Cash Item: Depreciation	20,668	14,884
Total	<u><u>305,267</u></u>	<u><u>356,221</u></u>

The above costs include £101,773 (2016-17; £204,870) in respect of travel and subsistence, translation, printing, telephone and accommodation expended on behalf of the Boundary Commission for Wales. The decreased costs compared to the previous year were due to a significant decrease in work undertaken for the 2018 Review of Parliamentary Constituencies in Wales.

## 4. INCOME

Grant-in-Aid is financing income and is credited directly to reserves. During 2017-18 the Commission received £261,468 in respect of funding from the Cabinet Office to meet the cost of maintaining a Boundary Commission for Wales Secretariat in Cardiff (2016-17, £416,064). The decreased costs compared to the previous year were due to a significant decrease in work undertaken for the 2018 Review of Parliamentary Constituencies in Wales following the completion of the public hearings. In addition

to this the Commission received a rebate of £93 relating to the usage of Welsh Procurement Cards (2016-17, £31) and £57 interest received on the Commission's bank account (2016-17, £21).

## 5. PROPERTY, PLANT AND EQUIPMENT

	Information Technology £	Furniture & Fittings £	Total £
<b>Cost or Valuation</b>			
At 1 April 2017	49,346	69,864	119,210
Additions	7,382	1,260	8,642
Disposals	(1,298)	(2,409)	(3,707)
<b>At 31 March 2018</b>	<u>55,430</u>	<u>68,715</u>	<u>124,145</u>
<b>Depreciation</b>			
At 1 April 2017	41,992	56,677	98,669
Provided during the year	13,311	7,356	20,667
Eliminated on disposal	(1,298)	(2,409)	(3,707)
<b>At 31 March 2018</b>	<u>54,005</u>	<u>61,624</u>	<u>115,629</u>
<b>Carrying Value at 31 March 2018</b>	1,425	7,091	8,516
<b>Carrying Value at 31 March 2017</b>	7,354	13,187	20,541

All Assets are owned by the Commission. During 2017-18 the Welsh Government transferred ownership of numerous items of ICT hardware to the Commission. The Commission had previously been using the hardware as part of its ICT agreement with Welsh Government. As part of this agreement all hardware used by the Commission remained assets of Welsh Government. However, in preparation to the Commission's move to a standalone ICT system (expected to be in place by early 2019), the Welsh Government agreed to transfer ownership of existing ICT assets to the Commission at no cost. For accounting purposes only items less than 5 year old were deemed to have value. The values of items less than 5 years old were arrived at by depreciating the item's original purchase cost over the number of years the item had been in place. The values obtained by costing similar items was deemed to be too unreliable as few exact matches could be found.

## 6. 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.

## 7. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2018 £	2017 £
<b>Amounts falling due within one year:</b>		
Prepayments and accrued income	6,394	11,590
<b>Total</b>	<u>6,394</u>	<u>11,590</u>

## 8. CASH AND CASH EQUIVALENTS

	2018 £	2017 £
Balance at 1 April	26,982	17,418
Net change in cash and cash equivalent balances	25,685	9,564
Commercial banks and cash in hand	<u>52,667</u>	<u>26,982</u>
Balance at 31 March	<u>52,667</u>	<u>26,982</u>

## 9. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2018 £	2017 £
<b>Amounts falling due within one year:</b>		
Taxation and social security	3,730	4,141
Trade payables	7,086	1,565
Accruals and deferred income	41,040	45,267
Holiday pay accrual	9,602	10,932
	<u>61,458</u>	<u>61,905</u>

## 10. OPERATING LEASES

	2018 £	2017 £
Total future minimum lease payments under Non-cancellable operating leases comprise:		
Buildings		
Not later than 1 year	-	34,441
Later than 1 and not later than 5 years	-	-
Later than 5 years	-	-
Total	<u>-</u>	<u>34,441</u>

The Commission's lease for its offices at Hastings House came to an end on 5 December 2017 and negotiations are currently ongoing for the terms of a new 5 year lease for the same accommodation. The Commission therefore does not have a future commitment to operating leases in respect of buildings. Lease costs for the year can be seen at Note 3.

## 11. SPECIAL PAYMENTS AND LOSSES

The Commission did not record any losses during 2017-18 (losses totalling £242 were recorded in 2016-17).

## 12. 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 £71,538 (2016-17, £51,985). Grant-in-Aid received during the year amounted to £648,304 (2016-17, £414,148). At the end of the reporting period there was an outstanding balance with Welsh Government amounting to £3,080 in respect of seconded staff costs.

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 £9,933 (2016-17, £34,823). During 2017-18 the Commission received £261,468 funding from the Cabinet Office (2016-17, £416,064). At the end of the reporting period there was an outstanding balance with Cabinet Office amounting to £259 (2016-17, Nil) in respect of Civil Service Pensions Administration.

The Commission has not undertaken any transactions with entities in which members and key managerial staff hold an interest.

### **13. 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 Notes 2, 3 and 4.

### **14. CONTINGENT LIABILITIES AND ASSETS**

There were no contingent liabilities or assets at the end of 2017-18 (there was a contingent liability at the end of 2016-17 relating to possible reclamation by Welsh Government of VAT chargeable on the salary costs of Welsh Government staff inwardly seconded to the Commission).

### **15. EVENTS AFTER THE REPORTING PERIOD**

The Accounting Officer authorised these financial statements for issue on 25 July 2018 by the Accounting Officer. At the date of signing these accounts there were no events after the reporting period to disclose.