

**LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR
WALES**

Commission's annual report and financial statements

31 March 2014

Contents

ANNUAL REPORT	1
REMUNERATION REPORT	9
STATEMENT OF THE COMMISSION'S AND THE ACCOUNTING OFFICER'S RESPONSIBILITIES	14
THE CERTIFICATE AND REPORT OF THE AUDITOR GENERAL FOR WALES TO THE NATIONAL ASSEMBLY FOR WALES	15
STATEMENT OF COMPREHENSIVE NET EXPENDITURE	17
STATEMENT OF FINANCIAL POSITION	18
STATEMENT OF CASH FLOWS	19
STATEMENT OF CHANGES IN TAX PAYERS' EQUITY	20
NOTES TO THE FINANCIAL STATEMENTS	21 - 29
APPENDIX 1: GOVERNANCE STATEMENT	30

REPORT OF THE ACCOUNTING OFFICER

History and Statutory Background

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

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

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

Commission Members, Secretary and Senior Staff

The Commission Members throughout 2013-14 were:

Owen Watkin OBE	(Chairman)
Ceri Stradling	(Deputy Chair)
David Powell	(Member)

Independent Member of the Audit and Risk Assurance Committee:

Julie James

Senior managers throughout 2013-14 were:

Ian Williams	(Chief Executive until 31 May 2013 and Accounting Officer until 30 September 2013)
Steve Halsall	(Deputy Chief Executive until 31 May 2013 / Acting Chief Executive from 1 June 2013 to 31 December 2013 / Acting Accounting Officer from 1 October 2013 to 31 December 2013 / Chief Executive and Accounting Officer from 1 January 2014)

Ian Williams ended his secondment as Chief Executive to the Commission on 31 May 2013 and returned to Welsh Government on 1 June 2013. However, Welsh Government decided that Mr Williams' would retain his designation as the Commission's Accounting Officer until such a time when a new Chief Executive could be appointed.

Following Mr Williams' departure the Welsh Government appointed Steve Halsall as Acting Chief Executive. Welsh Government also designated Mr Halsall as the Commission's Acting Accounting Officer from 1 October 2013. Following an open recruitment exercise, Mr Halsall was appointed as the Commission's Chief Executive and designated Accounting Officer with effect from 1 January 2014.

The terms of appointment of Commission Members and senior managers can be found in the Remuneration Report (on page 9).

Accounts Direction

The accounts have been prepared in accordance with the Accounts Direction issued by the Welsh Ministers.

Governance Statement

The Commission is required to produce a Governance Statement with its accounts. This has been included at Appendix 1.

Register of Interests

A register of 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: www.ldbc-wales.gov.uk

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 four occasions during the year 2013-14. The Committee was chaired by Ceri Stradling. David Powell served as a member 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. During 2013-14 the Committee proposed that its name be changed from the Audit Committee to the Audit and Risk Assurance Committee and the change was agreed by the Commission.

Charitable and Political Donations

The Commission did not make any charitable or political donations during 2013-14 (nor in 2012-13).

Disclosure of Audit Information

So far as I am aware there is no relevant audit information of which the Commission's auditors are unaware. I have taken all the steps that should be taken to make myself aware of any relevant audit information and to establish that the Commission's auditors are aware of any such information.

Financial Instruments

Details of Financial Instruments are given at Note 6 to the accounts on page 26.

Going Concern

These accounts are prepared on a going concern basis. So far as I am aware the net current liabilities will be financed from resources voted by the Welsh Government (Grant-in-Aid) in the future.

Payment Policy

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 2013-14, the Commission received 265 invoices and paid 100% of these within 30 days and 92% within 10 days.

Pension Scheme

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but the Commission is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007 details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2013-14, employers' contributions of £35,836.92 were payable to the PCSPS (2012-13 £31,434) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the costs of the benefits accruing during 2013-14 to be paid when a member retires and not the benefits paid during this period to existing pensioners. 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.

Details of pension benefits for the Commission's directly employed senior staff member can be found in the disclosure given in the Remuneration report at page 9.

Events after the Reporting Period

These accounts were authorised for issue on 16 July 2014 by the Accounting Officer. At the date of signing these accounts there were no significant events after the reporting period.

MANAGEMENT COMMENTARY

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

The main duties under statute are:

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

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

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

Review of Activities during 2013-14

The Commission published electoral review Final Proposals Reports for Denbighshire (Prestatyn) Carmarthenshire and Torfaen. As set out in the Local Government (Democracy) (Wales) Act 2013, the Commission drafted a timetable for a 10 year programme of electoral reviews with the intention of commencing the programme in January 2014. However, the report of the Commission on Public Service Governance and Delivery recommended changes to local government and the Commission decided to

suspend their 10 year programme of electoral reviews pending Welsh Government's response to that report.

The Commission has continued to strengthen its links with stakeholders and reviewed and improved its communications strategy. A revised Communications Strategy was adopted in January 2014. In June 2013 the Commission completed a further consultation on their methodology for assessing the number of councillors for each principal council. As a result of this exercise the Commission adopted a council size policy in September 2013. The quality control procedures within the Commission (in respect of electoral and other reviews) had been improved during the year.

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

The Commission continued to provide a Secretariat to the Boundary Commission for Wales during 2013-14, for which the Commission received funding for expenditure directly from the Cabinet Office. Following completion of the 2013 Review of Parliamentary Constituencies in March 2013 the Commission reached an agreement with Cabinet Office for the provision of future annual funding for maintaining a Boundary Commission for Wales Secretariat in Wales during years when no parliamentary review work was being undertaken. It was agreed that the amount of funding would be fixed at £100,000 per year. This amount would be reviewed in 2016 when the next review of parliamentary constituencies in Wales is due to commence. During 2013-14, funding received from Cabinet Office relating to the Boundary Commission for Wales was adjusted for by £5,730 to take account of an over-payment made by Cabinet Office for 2012-13 funding and therefore was £94,270 rather than the full agreed amount of £100,000 (2012-13; £149,652), as disclosed in Notes 2 and 3 to these accounts.

The Commission's Code of Practice on Public Access to Information requires all requests for information covered by the Freedom of Information (Fol) Act to be met within 15 working days. In 2013-14 there were 5 requests for information covered by the Fol Act, 100% of which were provided within 15 working days of receipt of the request.

Future Developments

The Commission will undertake review work as and when required. Several principal councils have indicated that they will be undertaking community reviews during 2014-15. The Commission will provide 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.

Until the impact of the Commission on Public Service Governance and Delivery report and the Welsh Government's response is known it is not possible to assess the extent of the work that will be required of the Commission for 2014-15 onwards.

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

The Commission's Secretariat also provides a Secretariat to the Boundary Commission for Wales. Although the Boundary Commission for Wales completed the 2013 Review of Parliamentary Constituencies in March 2013 there will continue to be a requirement for an ongoing joint secretariat to serve both Commissions.

The Commission's information technology system is largely provided and maintained by the Welsh Government as part of their Atos partnership contract for which the Commission pays a monthly charge in line with the terms and conditions of the contract. The Commission's other assets comprise office furniture and a few items of IT and office equipment. The Commission also uses Geographical Information System software to assist it in carrying out its functions.

Risks and uncertainties

Risks faced by the Commission relate largely to operational and information areas and the technical capacity to carry out its programme of review work. The risks relating to capacity to carry out review work are managed by reviewing staff requirements and structure and adopting policies, such as the direct employment of staff, to ensure continuity of knowledge of the review procedures. The Commission also reviews its future budgets to ensure they are adequate for the programme of work to be undertaken. Operational risks are managed by the maintenance of clear desk instructions for staff and the legal vetting of all reports and documents issued. Information requirements are limited to specialised areas including the use of Geographical Information System software. Independent checks and site visits to locations under review are undertaken as necessary to reduce the risk of inaccurate information affecting the Commission's decision making process. There are also elements of risk in the areas of health and safety and fraud/theft. Regular health and safety checks are carried out by senior management and acted upon by the Commission. Integral to the Commission's internal system of control is the engagement of independent accountants whose role in the financial systems and accounts production reduces the risk of fraud and money laundering. The Commission's internal auditors produce an annual report which is considered by the Audit and Risk Assurance Committee and the recommendations made are acted upon.

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

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.

Employee Policy

The Commission maintains a core of directly employed staff consisting of the Chief Executive, Deputy Chief Executive, Finance Manager, Review Manager, three Review Officers and one Team Support Officer. Directly employed staff have salary bands and terms and conditions of service analogous with Welsh Government staff of corresponding grades. Three members of staff were inwardly seconded staff from another government department, one of whom became directly employed by the Commission in August 2013. 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.

As at 30 March 2014, nine members of staff were in post, three female and six male (30 March 2013, nine members of staff, three female, six male).

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 is due for an interim review during 2014-15 and a full review during 2015-16.

Sickness Absence

During 2013-14 five of the Commission's permanent staff were absent on sick leave for a total of 45 days (2012-13 - two of the Commission's permanent staff were absent on sick leave for a total of 8 days).

Information

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.

Personal Data Management

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

During 2013-14 there was one data security incident when staff payslips, sent to the Commission's offices by their payroll contractor by first class post, were not received. The payslips contained staff names and national insurance numbers. The Commission has reviewed all procedures regarding communications with the payroll contractor and has put

in place a system for hand delivery of all future payslips and information relating to staff and Commission Members.

Gifts and Hospitality

The Commission has a Gifts and Hospitality Policy and operates a gifts and hospitality register. During 2013-14 the Commission reviewed their Gifts and Hospitality Policy and agreed to change it to only require declaration of offers of hospitality valued at £20 or over. During 2013-14 members and staff were offered non-related hospitality on a total of 14 occasions, 13 of these offers, with an estimated total value of £176, were accepted.

Whistleblowing

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

Welsh Language Scheme

One of the Commissioners is nominated as the Welsh Language Champion for the Commission. They have an open remit to work with the Commission staff to raise and improve our use of the Welsh Language. The Commission has a Welsh Language Scheme (last revised in January 2014) which sets out the Commission's commitment to the principle that in the conduct of public business in Wales, the Commission will treat the Welsh and English languages on a basis of equality. The Commission's Welsh Language Scheme contains detailed measures in support of the principle and a copy of the full report will be supplied on request or may be accessed on the Commission's web site.

Financial Results

The net expenditure for the year amounted to £456,359 (2012-13; £489,932) and this has been transferred to the general reserve. Grant-in-Aid received from the Welsh Government amounted to £508,169 (2012-13; £519,735) and this has been credited direct to the general reserve.

STEVE HALSALL

Accounting Officer

16 July 2014

REMUNERATION REPORT

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. Annual increases to the remuneration of Chairs and Members of WGSBs are authorised by the First Minister.

The appointment of the Chairman, Mr Owen Watkin, is for a term of 3 years running from 15 June 2012 until 14 June 2015. The appointment of the Deputy Chair, Mr Ceri Stradling, is for a term of 3 years running from 1 April 2012 until 31 March 2015. The appointment of the Member, Mr David Powell is for a term of 3 years running from 11 April 2012 until 31 March 2015. The appointment of the Independent Audit and Risk Assurance Committee Member, Mrs Julie James, is for a term of 3 years running from 1 September 2012 until 31 August 2015.

From 2013-14 the Commission also assumed responsibility for paying the remuneration for Boundary Commission for Wales (BCW) members at daily rates set by the Cabinet Office and approved by HM Treasury. The cost of this remuneration is met from the funding provided by Cabinet Office described on page 5 and disclosed in Notes 2 and 4 to these accounts.

The Commission's Chief Executive was Mr Ian Williams (on inward secondment from Welsh Government) from 1 April 2013 to 31 May 2013. Following Mr Williams' return to Welsh Government, Mr Steve Halsall was appointed Acting Chief Executive from 1 June 2013 to 31 December 2013 and Chief Executive from 1 January 2014 to 31 March 2014. The Commission's Chief Executive is deemed to be the equivalent of the Welsh Government's Executive Band 2.

The post of Commission's Deputy Chief Executive was filled by Mr Steve Halsall from 1 April 2013 until 31 May 2013. From 1 June 2013 to 31 March 2014 the Deputy Chief Executive post remained vacant.

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.

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

Commission Members' Remuneration

Name	2013-14	2012-13
	Fees	Fees
	£'000	£'000
Mr O Watkin (Chair – LDBCW)	7	7
Mr C Stradling (Deputy Chair – LDBCW)	5	5
Mr D Powell (Member – LDBCW)	5	5
Mrs J James (Independent Audit and Risk Assurance Committee)	1	1
Mr M Caller (Interim Chairman)	0	3
Mr O Watkin (Interim Member)	0	1
Mr P Loveluck (Member – BCW)	2	-
Prof. R McNabb (Member – BCW)	2	-

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

Senior Managers' Salary and Pension Entitlements

Salaries

This year for the first time, the Remuneration Report must include a Single Total Figure of Remuneration, prior year comparatives have been provided for 2012/13. This is a different way of presenting the remuneration for each individual for the year. The table used is similar to that used previously, and the salary and benefits in kind elements are unchanged. The amount of pension benefits for the year which contributes to the single total figure is calculated in a new way, similar to the method used to derive pension values for tax purposes, and is based on information received from MyCSP.

The value of pension benefits is calculated as follows:

(real increase in pension* x20) + (real increase in any lump sum*) – (contributions made by member)

*excluding increases due to inflation or any increase of decrease due to a transfer of pension rights

This is not an amount which has been paid to an individual by the Commission during the year; it is a calculation which uses information from the pension benefit table. These figures can be influenced by many factors e.g. changes in a persons salary, whether or not they choose to make additional contributions to the pension scheme from their pay and other valuation factors affecting the pension scheme as a whole.

Single total figure of remuneration						
Official	Salary (£'000)		Pension Benefits (£'000)		Total (£'000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Mr I Williams (Chief Executive)	10-15 (80-85) ¹	45-50 (75-80) ¹	- ²	- ²	- ²	- ²

Mr S R Halsall (Chief Executive)	45-50	45-50	13	3	60-65	45-50
----------------------------------	-------	-------	----	---	-------	-------

¹Full Year Equivalent

² Mr Williams was an inward secondment from Welsh Government and the Commission was not responsible for his pension arrangements.

'Salary' includes gross salary and overtime, no amounts for allowances were paid. During 2013-14 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. In line with the Welsh Government's pay policy there was a salary increase during 2013-14 effective from 1 April 2013 of 1% for staff not on the maximum of their pay scale and 2% for staff on the maximum of their pay scale together with a non-consolidated lump sum of £250 for all staff.

Benefits-in-Kind

None of the Commission's Members or staff received any benefits-in-kind during 2013-14 (or during 2012-13).

Bonuses

None of the Commission's Members or staff received any bonuses during 2013-14 (or during 2012-13).

Loss of office payments

No payments were made in respect of loss of office or termination during 2013-14 (and no payments were made during 2012-13).

Pay Multiples

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 2013-14 was £80-85,000 (2012-13: £75-80,000). This was 3.2 times (2012-13: 3.1 times) the median remuneration of the workforce, which was £25,899 (2012-13: £24,658).

In 2013-14, 0 (2012-13, 0) employees received remuneration in excess of the highest paid director. Remuneration ranged from £18,410 to a full year equivalent of £82,902 (2012-13: £17,788 - £79,950).

Total remuneration includes salary, non-consolidated performance related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Pension Benefits

Name	Accrued pension at pension age as at 31/03/14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/14	CETV at 31/3/13	Real increase in CETV	Employer contributions to partnership pension accounts
	£'000	£'000	£'000	£'000	£'000	
Mr S R Halsall Chief Executive	25 - 30 plus lump sum of 40 - 45	0 - 2.5 plus lump sum of -2.5 - 0	498	454	11	-

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). 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** and **nuvos** are increased annually in line with Pensions Increase legislation. 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 1.5% and 6.25% of pensionable earnings for **classic** and between 3.5% and 8.25% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2014. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. 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 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three 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 0.8% 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** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>.

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.

STEVE HALSALL

Accounting Officer

16 July 2014

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 operating costs, recognised gains and losses, 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 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.

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

I certify that I have audited the financial statements of the Local Democracy and Boundary Commission for Wales ('the Commission') for the year ended 31 March 2014 under the Local Government (Democracy) (Wales) Act 2013. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers Equity and related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for preparing the Annual Report, which includes the Remuneration Report and the financial statements, in accordance with the Local Government (Democracy) (Wales) Act 2013 and Welsh Ministers' directions made there under and for ensuring the regularity of financial transactions.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with applicable law and with International Standards on Auditing (UK and Ireland). These standards require me to comply with the Auditing Practice Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Commission; and the overall presentation of the financial statements.

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

In addition I read all the financial and non-financial information in the Report of the Accounting Officer to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on Financial Statements

In my opinion the financial statements:

- give a true and fair view of the state of the Commission's affairs as at 31 March 2014 and of the Comprehensive Net Expenditure, Changes in Taxpayers Equity and cash flows for the year then ended; and

- have been properly prepared in accordance with Local Government (Democracy) (Wales) Act 2013.

Opinion on Regularity

In my opinion, in all material respects, 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.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury and Welsh Ministers' directions made under the Local Government (Democracy) (Wales) Act 2013; and
- the information which comprises the Report of the Accounting Officer, the unaudited part of the Remuneration Report and the Management Commentary included within the Annual Report is consistent with the financial statements.

Matters on which I report by exception

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

- the Annual Governance Statement does not reflect compliance with Welsh Ministers' guidance;
- proper accounting records have not been kept;
- information specified by Welsh Ministers regarding the remuneration and other transactions is not disclosed; or
- I have not received all of the information and explanations I require for my audit.

Report

I have no observations to make on these financial statements.

Huw Vaughan Thomas
Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ

5 August 2014

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

STATEMENT OF COMPREHENSIVE NET EXPENDITURE for the year ended 31 March 2014

	Notes	2014 £	2013 £
COSTS			
Staff costs	2	333,197	399,825
Other expenditure	3	217,468	247,703
Income	4	(94,306)	(157,596)
Net Operating Costs		<u>456,359</u>	<u>489,932</u>
OTHER COMPREHENSIVE EXPENDITURE			
Total Comprehensive Expenditure for the year ended 31 March 2014		456,359	489,932

All activities are classed as continuing

The notes on pages 21 to 29 form part of these accounts.

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

STATEMENT OF FINANCIAL POSITION as at 31 March 2014

	Notes	31 March 2014 £	31 March 2013 £
NON-CURRENT ASSETS			
Property, Plant and Equipment	5	<u>34,908</u>	<u>4,210</u>
Total non-current assets		<u>34,908</u>	<u>4,210</u>
CURRENT ASSETS			
Trade and other receivables	7	<u>3,042</u>	<u>5,387</u>
Cash and cash equivalents	8	<u>69,196</u>	<u>50,105</u>
Total current assets		<u>72,238</u>	<u>55,492</u>
Total assets		<u>107,146</u>	<u>59,702</u>
CURRENT LIABILITIES			
Trade and other payables	9	<u>(56,361)</u>	<u>(60,727)</u>
Total current liabilities		<u>(56,361)</u>	<u>(60,727)</u>
Total assets less current liabilities		<u>50,785</u>	<u>(1,025)</u>
FINANCED BY:			
General reserves	11	<u>50,785</u>	<u>(1,025)</u>
		<u>50,785</u>	<u>(1,025)</u>

The notes on pages 21 to 29 form part of these accounts.

The Accounting Officer authorised these financial statements for issue on 16 July 2014

STEVE HALSALL
Accounting Officer

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

STATEMENT OF CASH FLOWS for the year ended 31 March 2014

	Notes	2014	2013
		£	£
Cash flows from operating activities			
Net operating costs		(456,359)	(489,932)
Adjustments for:			
Decrease / (Increase) in trade and other receivables		2,345	(2,297)
Depreciation		9,071	2,523
Increase / (Decrease) in trade payables		(4,366)	16,536
Net cash outflow from operating activities		(449,309)	(473,170)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(39,768)	(4,940)
Net cash outflow from investing activities		(39,768)	(4,940)
Cash flows from financing activities			
Grants from parent departments		508,169	519,735
Net financing			
Net (decrease) in cash and cash equivalents at the start of the period		19,091	41,625
Cash and cash equivalents at the beginning of the period	8	50,105	8,480
Cash and cash equivalents at the end of the period	8	69,196	50,105

The notes on pages 21 to 29 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 2014

	Notes	General Reserve* £
Balance at 31 March 2012		(30,828)
Changes in accounting policy		-
Restated balance at 1 April 2012		<u>(30,828)</u>
Changes in tax payers' equity 2012-13		
Grant in Aid from Welsh Government	11	519,735
Comprehensive Expenditure for the year		(489,932)
Balance at 31 March 2013		<u>(1,025)</u>
Changes in taxpayers' equity for 2013-14		
Grant in Aid from Welsh Government	11	508,169
Comprehensive Expenditure for the year		(456,359)
Balance at 31 March 2014		<u>50,785</u>

The notes on pages 21 to 29 form part of these accounts.

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

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2013-14 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 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.

1.2 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.

1.2 Valuation of Non-Current Assets

Non-current assets are stated at their value to the Commission by reference to historic cost less depreciation. Non-current assets are capitalised at the cost of acquisition and installation where that cost exceeds £500. In the opinion of the Commission, there is no material difference between the historic and current replacement cost of office furniture and equipment. Computer software costs are written off as incurred.

1.3 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.

1.4 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.

1.5 Funding

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

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

1.6 Inventories

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

1.7 Value Added Tax (VAT)

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

1.8 Pensions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS) which are described in the Remuneration Report. The defined benefit schemes are unfunded and are non-contributory except in respect of dependents' benefits. The Commission recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employee's services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payments of future benefits is a charge on the PCSPS.

1.9 Management of Financial Risk

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

1.10 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.

1.10.1 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.

1.10.2 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.

1.10.3 Trade and other payables

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

1.10.4 Borrowings

There are no interest bearing loans or overdrafts.

1.10.5 Impairment

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

1.10.6 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.

1.11 Operating Leases

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

- ownership of the accommodation does not transfer to the Commission at the end of the lease term;
- there is no option to purchase at the end of the lease term;
- the lease term is not for the major part of the economic life of the building; and
- the present value of the minimum lease payments do not amount to at least substantially all of the fair value of the building.

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

2. STAFF NUMBERS AND RELATED COSTS

	2014 Permanently employed staff £	2014 Inward Secondments £	2014 Contract Staff £	2014 Commission Members £	2014 Total £
Wages and salaries	187,043	62,110	-	21,955	271,108
Social security costs	14,216	4,278	-	647	19,141
Pension costs	35,837	11,667	-	-	47,504
Holiday pay accrual	(3,417)	(1,139)	-	-	(4,556)
Total Net Costs	233,679	76,916	-	22,602	333,197

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.
6	2	0	6	14

Comparatives:

	2013 Permanently employed staff £	2013 Inward Secondments £	2013 Contract Staff £	2013 Commission Members £	2013 Total £
Wages and salaries	164,208	127,536	7,037	22,167	320,948
Social security costs	12,464	9,498	-	829	22,791
Pension costs	31,434	24,321	-	-	55,755
Holiday pay accrual	199	132	-	-	331
Total Net Costs	208,305	161,487	7,037	22,996	399,825

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.
6	4	1	4	15

The emolument of the Chair of the Commission was £7,395 (2012-13: £6,962). The emolument of the Member was £5,049 (2012-13: £5,445). The emolument of the Deputy Chair, Independent Audit and Risk Assurance Committee Member and BCW Members was less than £5,000 each. Further details of remuneration can be found in the Remuneration Report, at pages 9 to 13.

The above costs include £45,000 (2012-13; £81,381) in respect of staff resources and £3,539 in respect of members' remuneration expended on behalf of the Boundary Commission for Wales. The decrease in Boundary Commission for Wales costs for 2013-14 is due to the 2013 Review of Parliamentary Constituencies ending following the Electoral Registration and Administration Act 2013 (Commencement No. 3) Order 2013.

2.1 REPORTING OF CIVIL SERVICE AND OTHER COMPENSATION SCHEMES – EXIT PACKAGES

No redundancy or other departure costs were paid during 2013-14 (and none were paid during 2012-13).

3. OTHER EXPENDITURE

	2014 £	2013 £
Running Costs		
Travel and Subsistence Staff	2,319	3,441
Travel and Subsistence Commission Members	10,853	11,022
Course Fees and Staff Training	6,906	1,953
Auditor General for Wales – annual audit fee	8,097	7,801
– other audit fees	-	3,162
Internal Audit Fees	5,472	5,328
Translation	12,762	11,791
Printing, postage and stationery	29,399	19,547
Telephone and contracts	1,813	2,260
Accommodation costs	23,580	24,756
Legal and professional	4,497	7,116
Non-capital computer costs	51,424	49,576
Other	1,747	1,515
Interest charges	-	3
Rentals under operating leases	49,528	95,909
Non Cash Item: Depreciation	9,071	2,523
Total	<u><u>217,468</u></u>	<u><u>247,703</u></u>

The above costs include £49,270 (2012-13; £68,271) in respect of travel and subsistence, printing, telephone and accommodation expended on behalf of the Boundary Commission for Wales. The decrease in Boundary Commission for Wales costs for 2013-14 is due to the 2013 Review of Parliamentary Constituencies ending following the Electoral Registration and Administration Act 2013 (Commencement No. 3) Order 2013.

The decrease in other audit fees to nil is due to the Auditor General for Wales' agreement with Welsh Government that they would discontinue the practice of undertaking annual Additional Assurance Report on behalf of Welsh Government. Operating lease expenditure fell significantly during 2013-14 due to the lower rent charges for the Commission's new offices at Hastings House (compared with the previous offices at Caradog House) together with the termination in 2012-13 of the Commission's operating lease of a photocopier. In addition to this, the operating leases costs for 2012-13 included additional costs associated with the office move from Caradog House to Hastings House.

4. INCOME

Grant-in-Aid is financing income and is credited directly to reserves. During 2013-14 the Commission received £94,270 in respect of funding from the Cabinet Office to meet the cost of maintaining a Boundary Commission for Wales Secretariat in Cardiff (2012-13, £157,572). In addition to this the Commission received a rebate of £36 relating to the usage of Welsh Procurement Cards (2012-13, £24).

5. PROPERTY, PLANT AND EQUIPMENT

	Information Technology £	Furniture & Fittings £	Total £
Cost or Valuation			
At 1 April 2013	24,557	35,474	60,031
Additions	32,357	7,411	39,768
Disposals	(9,171)	(438)	(9,609)
At 31 March 2014	<u>47,743</u>	<u>42,447</u>	<u>90,190</u>
Depreciation			
At 1 April 2013	23,960	31,860	55,820
Provided during the year	6,621	2,450	9,071
Eliminated on disposal	(9,171)	(438)	(9,609)
At 31 March 2014	<u>21,410</u>	<u>33,872</u>	<u>55,282</u>
Net Book Value at 31 March 2014	26,332	8,576	34,908
Net Book Value at 31 March 2013	596	3,615	4,211
Asset financing			
Assets owned	26,332	8,576	34,908
Net Book Value at 31 March 2014	<u>26,332</u>	<u>8,576</u>	<u>34,908</u>

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

	2014 £	2013 £
Amounts falling due within one year:		
Prepayments and accrued income	3,042	5,387
Total	<u>3,042</u>	<u>5,387</u>

8. CASH AND CASH EQUIVALENTS

	2014 £	2013 £
Balance at 1 April	50,105	8,480
Net change in cash and cash equivalent balances	19,091	41,625
Commercial banks and cash in hand	<u>69,196</u>	<u>50,105</u>

Balance at 31 March	<u><u>69,196</u></u>	<u><u>50,105</u></u>
---------------------	----------------------	----------------------

9. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2014 £	2013 £
Amounts falling due within one year:		
Taxation and social security	3,934	4,011
Trade payables	37,637	36,616
Accruals and deferred income	8,892	9,647
Holiday pay accrual	5,898	10,453
	<u><u>56,361</u></u>	<u><u>60,727</u></u>

9.1 INTRA - GOVERNMENT BALANCES

	31 March 2014 £	31 March 2013 £
Amounts falling due within 1 year:		
Welsh Government	36,701	33,768
HM Revenue and Customs	3,934	4,011
Balances with other central government bodies	<u>40,635</u>	<u>37,779</u>
Balances with bodies external to government	9,829	12,495
Total	<u><u>50,464</u></u>	<u><u>50,274</u></u>

10. OPERATING LEASES

	2014 £	2013 £
Total future minimum lease payments under Non-cancellable operating leases comprise:		
Buildings		
Not later than 1 year	50,404	49,648
Later than 1 and not later than 5 years	134,954	182,578
Later than 5 years	-	-
Total	<u>185,358</u>	<u>232,226</u>
Information Technology		
Not later than 1 year	25,000	28,000
Later than 1 and not later than 5 years	80,000	90,000
Later than 5 years	-	-
Total	<u>105,000</u>	<u>118,000</u>
Total	<u><u>290,358</u></u>	<u><u>350,226</u></u>

The figures for Buildings reflect the Commission's 5 year lease of offices at Hastings House, Cardiff.

The figures for the Information Technology operating lease payments relate to the

Commission's inclusion on the Welsh Government's Atos IT partnership contract. It is assumed that the Atos IT partnership contract is continuous and therefore it is not possible to calculate minimum payments later than 5 years. Cost calculations are based on the overall number of users in Welsh Government and other bodies included on the contract and can fluctuate.

11. GENERAL RESERVE

	2014 £	2013 £
Net expenditure	<u>(456,359)</u> (456,359)	<u>(489,932)</u> (489,932)
Welsh Government Grant-in-Aid	<u>508,169</u> 51,810	<u>519,735</u> 29,803
General reserve at 1 April	<u>(1,025)</u>	<u>(30,828)</u>
General reserve at 31 March	<u><u>50,785</u></u>	<u><u>(1,025)</u></u>

12. SPECIAL PAYMENTS AND LOSSES

The Commission recorded a loss amounting to £206 in 2013-14 resulting from a fruitless payment in respect of delegate packages which were not taken up (a loss of £839 was recorded in 2012-13).

13. 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. Grant-in-Aid received during the year amounted to £508,169 (2012-13, £519,735).

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.

The Commission has no other related party transactions. None of the Commission members, key managerial staff or other related parties has undertaken any material transactions with the Commission during the year.

14. ANALYSIS OF NET EXPENDITURE BY SEGMENT

The Net Expenditure Account reflects the segments that the operating results of the Local Democracy and Boundary Commission for Wales are reported to the Commission. Consequently no further analysis of net expenditure by segment is provided.

15. CONTINGENT LIABILITIES AND ASSETS

There were no contingent liabilities or assets at the end of 2013-14 (and none at the end of 2012-13).

16. EVENTS AFTER THE REPORTING PERIOD

These accounts were authorised for issue on 16 July 2014 by the Accounting Officer. At the date of signing these accounts there were no events after the reporting period to disclose.

ANNUAL GOVERNANCE STATEMENT

2013/14

1. Introduction

The Local Democracy and Boundary Commission for Wales (“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 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 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 H M Treasury’s Corporate Governance Code¹.

2. The purpose of the Governance Framework

The governance framework comprises the committees, systems and processes, cultures and values, by which the Commission operates and its activities through which it accounts to, engages with and leads 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 2013-14 is that the level of governance throughout the year has been sound. A small number of issues have been identified from the Audit and Risk Assurance Committee’s revised annual self-assessment exercise, which are currently being addressed.

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

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 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.

From 1 April 2013 to 31 May 2013 the Commission's Chief Executive, Ian Williams, continued as the designated Accounting Officer. From 1 June 2013, Mr Williams ceased to be the Commission's Chief Executive on returning to Welsh Government and Mr Steve Halsall was appointed Acting Chief Executive. However, with the agreement of the Welsh Government, Mr Williams continued in the role of Accounting Officer until 30 September 2013. From 1 October 2013 the Welsh Government designated the Commission's Acting Chief Executive as Acting Accounting Officer until 31 December 2013. On 1 January 2014, the Commission's Acting Chief Executive was appointed Chief Executive following open competition and was also designated as Accounting Officer by Welsh Government from that date. The Chief Executive received appropriate Accounting Officer training during the year.

3.3 The Corporate Management Team

The Corporate Management Team meets monthly and normally comprises the Chief Executive, Deputy Chief Executive, Finance Manager and the Review 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 Chairman, a Deputy Chairman and not more than three other members. In practice however the Commission has operated with just three members. 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 two 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 Corporate Management Team which comprises the Chief Executive, Deputy Chief Executive, the Finance Manager and the Review Manager attend both Commission and Audit and Risk Assurance Committee meetings. Other officers are called on for their professional expertise as required. Representatives of Internal and External Audit and Welsh Government attend the Audit and Risk Assurance Committee.

3.5 Attendance Records

Commission Meetings 2013 – 14		
	Meetings held	Meetings attended
O Watkin (Chair)	12	12
C Stradling (Deputy Chair)	12	12
D Powell (Member)	12	12

Audit and Risk Assurance Committee Meetings 2013 – 14		
	Meetings held	Meetings attended
C Stradling (Chair)	4	4
D Powell (Member) ¹	4	3
J James (Independent Member)	4	4

¹ Mr Powell was unable to attend the meeting held on 19 July 2013.

3.6 Coverage of Work

The role of the Commissioners is to:

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

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

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

4. Highlights of Commission Business

- The Local Government (Democracy) (Wales) Act 2013 came into force on 30 September 2013 laying down the framework within which the Commission will conduct its future reviews. It also had the effect of:
 - Changing the Commission's name from the 'Local Government Boundary Commission for Wales' to the 'Local Democracy and Boundary Commission for Wales'; and
 - Bringing the Commission within the jurisdiction of the Public Services Ombudsman Wales.

Also the Commission:

- appointed, in conjunction with Welsh Government, a new Chief Executive and Accounting Officer;
- formulated a new policy and methodology for the determination of council size to assist in efficient review of local authority electoral arrangements. The Council Size policy and methodology was subject to a consultation exercise with interested parties and assistance from the Data Unit Wales;
- formulated a Communications Strategy;
- prepared an IT Strategy;
- tested their Business Continuity Plan;
- reviewed the following policies, adopting revised versions as necessary:
 - Members' Code of Conduct;
 - Whistleblowing Policy;
 - Complaints Procedures;
 - Risk Management Policy;
 - Environmental Policy;
 - Code of Practice on Access to Information;
 - Gifts and Hospitality;
 - Fraud Policy;
 - Electoral reviews Policy and Practice; and
 - Welsh Language Scheme.
- reviewed their Terms of Reference and adopted revised versions as necessary;

- agreed to adopt revised Terms of Reference for the Audit and Risk Assurance Committee as necessary;
- engaged with stakeholders during 2013-14 including meetings with WLGA, SOLACE, One Voice Wales, the Mid and North Wales Association of Larger Councils, the Welsh Language Commissioner, the National Assembly for Wales Minister for Local Government and Government Business and several principal authorities;
- reviewed their 2014-15 budget allocation in light of the requirements of the new Local Government (Democracy)(Wales) Act 2013;
- revised and re-drafted their desk instructions and quality assurance checklists for conducting electoral reviews;
- published Draft and Final Proposals for the review of the electoral arrangements for Denbighshire (Prestatyn).
- published Final Proposals for the review of electoral arrangements for the County of Carmarthenshire.
- published Final Proposals for the review of electoral arrangements for the County Borough of Torfaen.
- published Draft Proposals for the review of the electoral arrangements for the County of Pembrokeshire.
- retained Green Dragon Level 2 accreditation.

5. Board Effectiveness

5.1 Induction, Development, Training and Performance Appraisal

New Commissioners 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 on CD and individual documents are printed on request. As part of the Commissioners induction training is provided in respect of the process of carrying out an electoral review.

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, SOLACE 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. This year Commissioners have taken part in training on the role of the Accounting Officer.

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. The Independent Audit and Risk Assurance Committee Member's performance is appraised annually by the Chair of the Audit and Risk Assurance Committee. During 2013-14 the Independent Audit and Risk Assurance Committee Member undertook an induction presentation on the review work of the Commission.

5.2 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.

5.3 Performance Evaluation

A Stakeholder Feedback Policy and Questionnaire are being developed and will be implemented during 2014.

5.4 Audit and Risk Assurance Committee

The Commission's Audit and Risk Assurance Committee produce an Annual Report which provided positive feedback to the Accounting Officer on the completeness and reliability of the assurances obtained by the Commission on its risk management and internal controls. The main points of the Committee's 2013-14 Annual Report were:

- the Committee continued the practice of having Members complete an annual self-assessment questionnaire;
- the Committee continued the practice of holding an annual confidential meeting between Members and External and Internal Audit;
- the effectiveness of Internal Audit was confirmed during the year by the Commission's External Auditors who reported in their 2012-13 Management Letter that the Commission has operated an effective system of control including Internal Audit arrangements that comply with the Government Internal Audit Standards;
- the Committee received progress reports on implementation of the audit recommendations at every meeting. During 2013-14 it was noted that all the previous years recommendations had been implemented within the agreed time;
- the Committee confirmed that the Commission had maintained satisfactory systems for budget monitoring, risk management review, whistleblowing and gifts and hospitality;
- the Committee were satisfied that the Commission had reviewed their policies for Complaints, Members' Code of Conduct; Risk Management, Gifts and Hospitality, Whistleblowing and Fraud;
- the Committee adopted the HM Treasury's revised Audit and Risk Assurance Committee Handbook; and
- the Committee was satisfied that the Commission's Accounting Officer could be substantially assured that Commission's control, risk and governance arrangements in 2013/14 provided a sound and reasonable basis for his completion of the Governance Statement.

Following completion of their revised self-assessment questionnaire the following areas were identified:

Compliance with best practice	Result / action to be implemented
Did the Audit and Risk Assurance Committee consider what impact they were having on the Commission?	Yes as part of Annual Report process. To further strengthen this a note of suggestions made by the Audit and Risk Assurance Committee which were adopted by the LDBCW should be kept for each year and summarised in the Audit and Risk Assurance Committee Annual Report.
Do all Audit and Risk Assurance Committee members have a clear understanding of what is expected of them in their role, set out in a letter of appointment, including termination conditions?	No - Terms and Conditions have now been finalised and issued to the LDBCW Independent Audit and Risk Assurance Committee Member.
Have all new members of the Audit and Risk Assurance Committee been given the opportunity to attend an induction training course for Audit and Risk Assurance Committee members?	Audit and Risk Assurance Committee Members are already formally requested to identify any training requirements they consider necessary to undertake their roles more effectively and Committee Members' training requirements are kept under review. To further strengthen this there will be a more proactive approach in identifying suitable courses for Audit and Risk Assurance Committee members.
Was there an induction checklist for new Audit and Risk Assurance Committee members that detailed key things that they must do e.g. visits to important business locations, meetings with Board, Risk Manager, Internal Audit and External Auditors?	Audit and Risk Assurance Committee Members currently receive the same induction pack issued to LDBCW board members. To further strengthen this an additional induction checklist to be compiled specifically for Audit and Risk Assurance Committee members to cover areas which an inexperienced member would need to know about audit / finance / risk management.

The Committee will implement any identified actions during 2014-15 with progress reports being presented to every Committee Meeting. The minutes of the Commission's Audit and Risk Assurance Committee are published on the Commission's website.

5.5 Internal Audit

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

As part of the Commission's corporate business cycle the Commission's Internal Auditors, Deloitte, draws up an internal audit programme which is approved by the Audit Committee. The audit process uses the standard CIPFA 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 2013/14 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.

Mid-Year Audit Report 2013-14

Audit Area	Date Released	Weakness Identified			Assurance Level
		High priority	Medium priority	Low priority	
Payroll	October 2013	0	1	1	Substantial
Information Management and Governance	October 2013	0	1	3	Substantial

Annual Audit Report 2013-14

Audit Area	Date Released	Weakness Identified			Assurance Level
		High priority	Medium priority	Low priority	
Budgetary Control	March 2014	0	0	1	Substantial
Corporate Governance and Risk Management	March 2014	0	0	0	Full

5.6 External Audit

The Auditor General for Wales is the Commission's statutory auditor but the actual function has been delegated to Grant Thornton. They report to the Commission following their financial accounts work and in the annual audit letter. They also express an opinion on the adequacy of internal audit work. The Audit conclusions for the 2012/13 financial year were reviewed at the November 2013 meeting of the Audit and Risk Assurance Committee. An unqualified opinion was given on the 2012/13 Accounts and no audit recommendations were raised.

6. Code of Corporate Governance

We consider that our arrangements comply with the principles of the Corporate Governance Code in all material respects.

7. Quality of Data Used by the Board

Following the standardisation of the format of reports and a system of checking the information contained in the reports, the Commission is now finds the quality of data acceptable.

8. 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. 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 2013/14 the main risks identified and managed by the LDBCW were:

Risk Identified	Mitigating Action
No contingency for loss of key staff covering review work and governance requirements.	Succession Plan kept up to date Roles of key staff to be shadowed by other staff Wider base for training opportunities offered to all staff to encourage progression. Skills audit to be undertaken Change from seconded to directly employed staff. The culture of the Commission should be embedded in staff through: Corporate Strategy Team and management meetings and discussions policies, practices, procedures and desk instructions Retain staff responsible for these key areas through direct employment. Succession plans to be updated. Desk Instructions for all key processes to be maintained and kept up to date. Liaise with Welsh Government and other WGSBs. Finance continuity to be covered in BCP Walk throughs on main finance procedures to be provided for staff
The Welsh Government's response to the report of the Commission on Public Service Governance and Delivery may result in a change to what work the Commission is required to undertake and deliver post 2013.	Swift response to any change and flexibility in future work programme. Consideration to possible future programme and budget requirements. Improved engagement and understanding with principal councils and other stakeholders. Close and appropriate liaison with the PSGD on their work and progress and updates to Commission meetings where available. Evidenced submitted to PSGD review. Take account of any advice regarding Town and Community Councils.
Mapping and IT not sufficient to meet demands of future review programme.	Senior management meetings with Welsh Government Geography & Technology officers to discuss solutions. Close monitoring of progress on Atos IT roadmap and implementation of identified requirements. Review and agreement of the Commission's IT Strategy.
Insufficient future funding and resources resulting from poor budget estimates and wider national economic situation. Actual Budget for future years are less than estimates due to cost saving programmes undertaken by Welsh Government.	Test annual estimates against current knowledge of future programme of work in August before Welsh Government budget closedown in October with sound case for budgets linked to agreed targets. Adequate BCW funding obtained from Cabinet Office to support budget for next 3 years.

The risk in respect of the Welsh Government's response to the report of the Public Service Governance and Delivery Commission relates to the fact that it could make recommendations that would have a significant impact on the future work of the LDBCW. To mitigate against this risk the LDBCW considered the potential alternative outcomes of the PSGD Commission's work and the possible impact these may have on the LDBCW's work programme, staff structure and future budget and considered actions that would be necessary in each case.

The risks in respect of insufficient future funding was significantly mitigated by the LDBCW obtaining sufficient resources to maintain a secretariat in Cardiff for the parliamentary Boundary Commission for Wales during years when no review is being undertaken.

The risk in respect of inadequate IT and mapping abilities to meet the demands of future review programme work has been mitigated against by commissioning Atos / Welsh Government to draft an IT Roadmap for the LDBCW which informed an IT Strategy. This IT Strategy was considered at LDBCW meetings throughout the year and led to significant upgrading of the LDBCW's IT hardware.

9. Meetings with Sponsor Department

The Commission Chair and Chief Executive hold regular meetings with the Commission's Welsh Government Sponsor Division. 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.

10. Declarations of Interest/Gifts and Hospitality

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

A register of Gifts and Hospitality is maintained for members and staff. The Commission's Gifts and Hospitality Policy requires members and staff to declare offers of hospitality and gifts whether accepted or declined and whether directly related to Commission business or not. The Gifts and Hospitality Policy was reviewed by the Audit and Risk Assurance Committee during 2013-14. The Committee proposed that the Policy be changed to require members and staff to only declare offers of hospitality and gifts above a value of £20. This proposal was accepted and adopted by the Commission. The Gifts and Hospitality Register and declarations are considered at every Audit and Risk Assurance Committee meeting.

11. Complaints Scheme

During 2013-14, as a result of a provision of the Local Government (Democracy) (Wales) Act 2013, the Commission was added to the listed authorities in Schedule 3 to the Public Services Ombudsman (Wales) Act 2005. This brought the Commission under the jurisdiction of the Public Services Ombudsman Wales and necessitated a full review of the Commission's Complaints Policy. A revised Complaints Policy and Procedures was subsequently adopted by the Commission at their January 2014 meeting.

The Commission did not receive any complaints during 2013-14.

12. 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 development plan to aid the development of staff. 2013-14 was the first time this has been used and

performance assessed against it to allow for genuine efforts to improve individual's performance and development both inside and out of the Commission.

13. 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, are to be considered annually by the Audit and Risk Assurance Committee. The Commission's Whistleblowing and Fraud Policies were reviewed during 2013-14 and revised versions adopted.

There were no instances of whistleblowing or suspected fraud during 2013-14.

14. Data Handling and Data Security

Although personal data handled by the Commission is largely limited to that relating to the Commission's employees, information security obligations are treated seriously. 'Protecting Information' training has been undertaken by all staff and all personal data files are kept in locked cabinets. The Commission are included on 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.

During 2013-14 there was one data security incident when staff payslips sent to the Commission's offices by their payroll contractor by first class post were not received. The payslips contained staff names and national insurance numbers. The Commission has reviewed all procedures regarding communications with the payroll contractor and has put in place a system for hand delivery of all future payslips and information relating to staff and Commission Members.

SIGNED _____ DATE _____
Owen Watkin
Chairman

SIGNED _____ DATE _____
Steve Halsall
Chief Executive and Accounting Officer