

**LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR
WALES**

Commission's annual report and financial statements

31 March 2015

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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 2014-15 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 2014-15 were:

Steve Halsall	(Chief Executive and Accounting Officer)
Matthew Redmond	(Acting Deputy Chief Executive from 1 July 2014 to 31 July 2014 / Deputy Chief Executive from 1 August 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 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: 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 three occasions during the year 2014-15. 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.

Charitable and Political Donations

The Commission did not make any charitable or political donations during 2014-15 (nor in 2013-14).

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 2014-15, the Commission received 167 invoices and

paid 100% of these within 30 days and 93% within 10 days (2013-14, 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 2014-15, employers' contributions of £43,422 were payable to the PCSPS (2013-14 £35,837) 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 2014-15 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 22 July 2015 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 2014-15

The Commission published a final proposals report for the electoral review of Pembrokeshire in November 2014 and published a draft proposals reports for the community review of Flint Mountain in January 2015. 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 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 2014-15, 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 will be reviewed in 2015-16 when the next review of parliamentary constituencies in Wales is due to commence. During 2014-15, funding received from Cabinet Office relating to the Boundary Commission for Wales was adjusted for by £9,615 to take account of surrender of funds back to the Cabinet Office in respect of an estimated underspend and therefore was £90,385 rather than the full agreed amount of £100,000 (2013-14; £94,270), as disclosed in Notes 2 and 3 to these accounts.

Future Developments

When the Local Government (Wales) Bill is passed by the National Assembly the Commission anticipates a direction from Welsh Ministers to undertake reviews of the electoral arrangements of proposed merged authorities. These reviews are likely to commence during 2015-16 and continue through 2016-17 and 2017-18. During 2015-16 the Commission will review policies and practices in preparation for the commencement of the Local Government (Wales) Bill and will make positive contributions to the consultations on reforming local government in general and in respect of reviewing the electoral arrangements of the proposed new principal areas in particular.

The Commission will consider representations in respect of draft proposals for the Flint Mountain community review and make final recommendations for all the Flintshire community changes to Welsh Ministers. The Commission will also consider Rhondda Cynon Taf Council's proposals for community changes and make recommendations to Welsh Ministers. In addition, the Commission will continue to undertake review work as and when required. Several principal councils have indicated that they will be undertaking community reviews during 2015-16. 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.

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

The Commission's Secretariat also provides a Secretariat to the Boundary Commission for Wales and 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, Business Support Manager, four Review Officers (one post currently vacant) and one Team Support Officer. Directly employed staff have salary bands and terms and conditions of service analogous with Welsh Government staff of corresponding grades. One member of staff was inwardly seconded staff from another government department. Members of staff seconded from other government departments remain on the salary scales and terms and conditions of their parent department whilst employed by the Commission. This policy allows the Commission to retain a core of staff with knowledge of mission critical systems and procedures whilst meeting increases in review workload efficiently.

As at 31 March 2015, nine members of staff were in post, three female and six male (31 March 2014, 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 was subject to an interim review during 2014-15 and will undergo a full review during 2015-16.

Sickness Absence

During 2014-15 eight of the Commission's permanent staff were absent on sick leave for a total of 156 days (2013-14 - five of the Commission's permanent staff were absent on sick leave for a total of 45 days).

Information

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 2014-15 there were 7 requests for information covered by the Fol Act, 6 (86%) of which were provided within 15 working days of receipt of the request and 1 where the reply deadline date was extended with the agreement of the requester. This compares to 2013-14 where there were 5 requests for information (100% of which were responded to within 15 working days).

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 2014-15 there were no data security incidents (2013-14 – one data security incident).

Gifts and Hospitality

The Commission has a Gifts and Hospitality Policy and operates a gifts and hospitality register for recording offers of hospitality valued at £20 or over. During 2014-15 members

and staff were offered non-related hospitality on a total of 4 occasions, all of these offers, with an estimated total value of £167, were accepted (2013-14: hospitality offered on 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 (2013-14 – no whistleblowing incidents).

Complaints Procedure

The Commission has a Complaints Procedure whereby complaints may be made (by letter, e-mail or telephone) by contacting the Commission. Information on how complaints are handled can be found within the Commission's Complaints Procedure document, which can be viewed on the Commission's web site (www.ldbc.gov.wales) or can be obtained from the Commission's offices at the following address:

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

The work of the Commission comes within the remit of the Public Services Ombudsman for Wales. All members of staff are required to attend training on complaints handling. No complaints were received during 2014-15 (for comparison purposes, no complaints were received during 2013-14).

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 £442,597 (2013-14; £456,359) and this has been transferred to the general reserve. Grant-in-Aid received from the Welsh Government amounted to £434,176 (2013-14; £508,169) and this has been credited direct to the general reserve.

STEVE HALSALL
Accounting Officer
22 July 2015

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 periods of Mr Stradling and Mr Powell were extended to September 2015 to allow such time for a full and open recruitment process to be undertaken to appoint two additional members of the Commission. That process began in 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.

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

The Commission's Chief Executive was Mr Steve Halsall. 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 vacant from 1 April 2014 until 31 July 2014. Mr Matthew Redmond was appointed Acting Deputy Chief Executive on 1 August 2014 and Deputy Chief Executive on 1 September 2014. The Commission's Deputy Chief Executive is deemed to be the equivalent of the Welsh Government's Management Band 1.

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

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

	2014-15	2013-14
Name	Fees	Fees
	£'000	£'000
Mr O Watkin (Chair – LDBCW)	6	7
Mr C Stradling (Deputy Chair – LDBCW)	4	5
Mr D Powell (Member – LDBCW)	3	5
Mrs J James (Independent Audit Committee Member)	-	1
Mr P Loveluck (Member – BCW)	2	2
Prof. R McNabb (Member – BCW)	1	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

Single total figure of remuneration						
Official	Salary (£'000)		Pension Benefits (£'000) ¹		Total (£'000)	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Mr S R Halsall (Chief Executive)	50-55	45-50	54	13	100-105	60-65
Mr M Redmond (Deputy Chief Executive)	20-25 (35-40) ²	-	16	-	40-45	-

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

²Full Year Equivalent

Salary

'Salary' includes gross salary and overtime, no amounts for allowances were paid. During 2014-15 there were no payments made in respect of performance pay or bonuses. This report is based on accrued payments made by the Commission and thus recorded in these accounts.

Benefits-in-Kind

None of the Commission's Members or staff received any benefits-in-kind during 2014-15 (or during 2013-14).

Bonuses

None of the Commission's Members or staff received any bonuses during 2014-15 (or during 2013-14).

Loss of office payments

No payments were made in respect of loss of office or termination during 2014-15 (and no payments were made during 2013-14).

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 2014-15 was £50-55,000 (2013-14: £80-85,000). This was 2.0 times (2013-14: 3.2 times) the median remuneration of the workforce, which was £25,750 (2013-14: £25,899).

In 2014-15, 0 (2013-14, 0) employees received remuneration in excess of the highest paid director. Remuneration ranged from £20,093 to £50,750 (2013-14: £18,410 - £82,902).

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 31/03/15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/15	CETV at 31/3/14	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 45 - 50	2.5 – 5.0 plus lump sum of 2.5 – 5.0	591	511	52	-
Mr M Redmond Deputy Chief Executive	2.5 – 5.0 plus lump sum of 0.0 – 2.5	0.0 – 2.5 plus lump sum of 0.0 – 2.5	39	30	6	-

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 6.85% of pensionable earnings for **classic** and between 3.5% and 8.85% for **premium, classic plus** and **nuvos**. 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>.

New Career Average pension arrangements will be introduced from 1 April 2015 and the majority of **classic, premium, classic plus** and **nuvos** members will join the new scheme. Further details of this new scheme are available at: <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>

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
22 July 2015

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 2015 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 Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Commission'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 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 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 2015 and of its net operating costs, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity and cash flows in the year then ended: and
- have been properly prepared in accordance with Welsh Ministers' directions issued under the 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 Welsh Ministers' directions made under the Local Government (Democracy) (Wales) Act 2013; and
- the information in 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 HM Treasury guidance;
- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records and returns;
- information specified by HM Treasury 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

4 August 2015

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

STATEMENT OF COMPREHENSIVE NET EXPENDITURE for the year ended 31 March 2015

	Notes	2015 £	2014 £
COSTS			
Staff costs	2	333,611	333,197
Other expenditure	3	199,410	217,468
Income	4	(90,424)	(94,306)
Net Operating Costs		<u>442,597</u>	<u>456,359</u>
OTHER COMPREHENSIVE EXPENDITURE			
Total Comprehensive Expenditure for the year ended 31 March 2015		442,597	456,359

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 2015

	Notes	31 March 2015 £	31 March 2014 £
NON-CURRENT ASSETS			
Property, Plant and Equipment	5	<u>47,722</u>	<u>34,908</u>
Total non-current assets		<u>47,722</u>	<u>34,908</u>
CURRENT ASSETS			
Trade and other receivables	7	<u>2,576</u>	<u>3,042</u>
Cash and cash equivalents	8	<u>36,422</u>	<u>69,196</u>
Total current assets		<u>38,998</u>	<u>72,238</u>
Total assets		<u>86,720</u>	<u>107,146</u>
CURRENT LIABILITIES			
Trade and other payables	9	<u>(44,356)</u>	<u>(56,361)</u>
Total current liabilities		<u>(44,356)</u>	<u>(56,361)</u>
Total assets less current liabilities		<u>42,364</u>	<u>50,785</u>
FINANCED BY:			
General reserves	11	<u>42,364</u>	<u>50,785</u>
		<u>42,364</u>	<u>50,785</u>

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

The Accounting Officer authorised these financial statements for issue on 22 July 2015

STEVE HALSALL
Accounting Officer
22 July 2015

LOCAL DEMOCRACY AND BOUNDARY COMMISSION FOR WALES

STATEMENT OF CASH FLOWS for the year ended 31 March 2015

	Notes	2015	2014
		£	£
Cash flows from operating activities			
Net operating costs		(442,597)	(456,359)
Adjustments for:			
Decrease / (Increase) in trade and other receivables		466	2,345
Depreciation		14,542	9,071
Increase / (Decrease) in trade payables		(12,005)	(4,366)
Net cash outflow from operating activities		(439,594)	(449,309)
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(27,356)	(39,768)
Net cash outflow from investing activities		(27,356)	(39,768)
Cash flows from financing activities			
Grants from parent departments		434,176	508,169
Net financing			
Net (decrease) in cash and cash equivalents at the start of the period		(32,774)	19,091
Cash and cash equivalents at the beginning of the period	8	69,196	50,105
Cash and cash equivalents at the end of the period	8	36,422	69,196

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 2015

	Notes	General Reserve* £
Balance at 31 March 2013		(1,025)
Changes in accounting policy		-
Restated balance at 1 April 2013		<u>(1,025)</u>
Changes in tax payers' equity 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>
Changes in taxpayers' equity for 2014-15		
Grant in Aid from Welsh Government	11	434,176
Comprehensive Expenditure for the year		(442,597)
Balance at 31 March 2015		<u>42,364</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 2015

1. STATEMENT OF ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the 2014-15 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.

1.3 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.

1.4 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.

1.5 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.

1.6 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.

1.7 Inventories

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

1.8 Value Added Tax (VAT)

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

1.9 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.

1.10 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.

1.11 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.

1.11.1 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.

1.11.2 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.

1.11.3 Trade and other payables

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

1.11.4 Borrowings

There are no interest bearing loans or overdrafts.

1.11.5 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.

1.11.6 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.

1.12 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

	2015 Permanently employed staff £	2015 Inward Secondments £	2015 Commission Members £	2015 Total £
Wages and salaries	225,115	27,557	16,253	268,925
Social security costs	15,013	1,513	315	16,841
Pension costs	43,422	4,872	-	48,294
Holiday pay accrual	(449)	-	-	(449)
Total Net Costs	283,101	33,942	16,568	333,611

Average number of persons employed

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

No. 8	No. 1	No. 6	No. 15
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Comparatives:

	2014 Permanently employed staff £	2014 Inward Secondments £	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. 6	No. 2	No. 6	No. 14
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The emolument of the Chair of the Commission was £5,513 (2013-14: £7,395). The emolument of the Deputy Chair, Member, 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 (2013-14; £45,000) in respect of staff resources and £2,624 (2013-14; £3,539) in respect of members' remuneration expended on behalf of the Boundary Commission for Wales.

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

No redundancy or other departure costs were paid during 2014-15 (and none were paid during 2013-14).

3. OTHER EXPENDITURE

	2015 £	2014 £
Running Costs		
Travel and Subsistence Staff	3,269	2,319
Travel and Subsistence Commission Members	10,325	10,853
Course Fees and Staff Training	10,482	6,906
Auditor General for Wales – annual audit fee	8,097	8,097
Internal Audit Fees	5,602	5,472
Translation	7,075	12,762
Printing, postage and stationery	11,543	29,399
Telephone and contracts	1,957	1,813
Accommodation costs	27,001	23,580
Legal and professional	4,935	4,497
Non-capital computer costs	41,316	51,424
Other	1,428	1,747
Rentals under operating leases	51,838	49,528
Non Cash Item: Depreciation	14,542	9,071
Total	<u>199,410</u>	<u>217,468</u>

The above costs include £42,761 (2013-14; £49,270) in respect of travel and subsistence, printing, telephone and accommodation expended on behalf of the Boundary Commission for Wales.

4. INCOME

Grant-in-Aid is financing income and is credited directly to reserves. During 2014-15 the Commission received £90,385 in respect of funding from the Cabinet Office to meet the cost of maintaining a Boundary Commission for Wales Secretariat in Cardiff (2013-14, £94,270). In addition to this the Commission received a rebate of £39 relating to the usage of Welsh Procurement Cards (2013-14, £36).

5. PROPERTY, PLANT AND EQUIPMENT

	Information Technology £	Furniture & Fittings £	Total £
Cost or Valuation			
At 1 April 2014	47,743	42,447	90,190
Additions	397	26,959	27,356
Disposals	-	-	-
At 31 March 2015	<u>48,140</u>	<u>69,406</u>	<u>117,546</u>
Depreciation			
At 1 April 2014	21,410	33,872	55,282
Provided during the year	6,700	7,842	14,542
Eliminated on disposal	-	-	-
At 31 March 2015	<u>28,110</u>	<u>41,714</u>	<u>69,824</u>
Net Book Value at 31 March 2015	20,030	27,692	47,722
Net Book Value at 31 March 2014	26,333	8,575	34,908
Asset financing			
Assets owned	20,030	27,692	47,722
Net Book Value at 31 March 2015	<u>20,030</u>	<u>27,692</u>	<u>47,722</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

	2015 £	2014 £
Amounts falling due within one year:		
Prepayments and accrued income	2,576	3,042
Total	<u>2,576</u>	<u>3,042</u>

8. CASH AND CASH EQUIVALENTS

	2015 £	2014 £
Balance at 1 April	69,196	50,105
Net change in cash and cash equivalent balances	(32,774)	19,091
Commercial banks and cash in hand	<u>36,422</u>	69,196
Balance at 31 March	<u>36,422</u>	<u>69,196</u>

9. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2015	2014
	£	£
Amounts falling due within one year:		
Taxation and social security	3,761	3,934
Trade payables	1,703	37,637
Accruals and deferred income	33,443	8,892
Holiday pay accrual	5,449	5,898
	<u>44,356</u>	<u>56,361</u>

9.1 INTRA - GOVERNMENT BALANCES

	31 March 2015	31 March 2014
	£	£
Amounts falling due within 1 year:		
Welsh Government	20,508	36,701
HM Revenue and Customs	3,761	3,934
Balances with other central government bodies	<u>24,269</u>	<u>40,635</u>
Balances with bodies external to government	14,638	9,829
Total	<u>38,907</u>	<u>50,464</u>

10. OPERATING LEASES

	2015	2014
	£	£
Total future minimum lease payments under Non-cancellable operating leases comprise:		
Buildings		
Not later than 1 year	51,306	50,404
Later than 1 and not later than 5 years	86,054	134,954
Later than 5 years	-	-
Total	<u>137,360</u>	<u>185,358</u>
Information Technology		
Not later than 1 year	25,000	25,000
Later than 1 and not later than 5 years	80,000	80,000
Later than 5 years	-	-
Total	<u>105,000</u>	<u>105,000</u>
Total	<u>242,360</u>	<u>290,358</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

	2015 £	2014 £
Net expenditure	<u>(442,597)</u> (442,597)	<u>(456,359)</u> (456,359)
Welsh Government Grant-in-Aid	<u>434,176</u> (8,421)	<u>508,169</u> 51,810
General reserve at 1 April	<u>50,785</u>	<u>(1,025)</u>
General reserve at 31 March	<u><u>42,364</u></u>	<u><u>50,785</u></u>

12. SPECIAL PAYMENTS AND LOSSES

The Commission recorded a loss amounting to £3,718 in 2014-15 resulting from fruitless payments in respect of printing a report which was found to be incorrect, failing to pay the correct postage amount on several items of franked mail and purchasing rail tickets and hotel accommodation for a member of staff who could not travel on the appointed date due to ill health (a loss of £206 was recorded in 2013-14).

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 £434,176 (2013-14, £508,169).

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 2014-15 (and none at the end of 2013-14).

16. EVENTS AFTER THE REPORTING PERIOD

These accounts were authorised for issue on 22 July 2015 by the Accounting Officer. At the date of signing these accounts there were no events after the reporting period to disclose.

ANNUAL GOVERNANCE STATEMENT

2014/15

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 2014-15 is that the level of governance throughout the year has been sound. There were no issues identified from the Audit and Risk Assurance Committee’s revised annual self-assessment exercise and the Committee considers that full compliance with good practice has been demonstrated.

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.

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

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 on 1 January 2014.

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 Chair, a Deputy Chair 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, Finance Manager and Business Support Manager attend both

Commission and Audit and Risk Assurance Committee meetings. Other officers are called on for their professional expertise as required. Representatives of Internal and External Audit and Welsh Government attend the Audit and Risk Assurance Committee.

3.5 Attendance Records

Commission Meetings 2014 – 15		
	Meetings held	Meetings attended
O Watkin (Chair)	11	11
C Stradling (Deputy Chair)	11	11
D Powell (Member)	11	11

Audit and Risk Assurance Committee Meetings 2014 – 15		
	Meetings held	Meetings attended
C Stradling (Chair)	3	3
D Powell (Member)	3	3
J James (Independent Member) ¹	3	2

¹ Julie James was unable to attend the ARAC meeting held on 10 November 2014.

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 tendering procedures.

4. Highlights of Commission Business

During 2014-15 the Commission:

- Revised its Corporate Objectives and produced a new Corporate Plan for 2014 to 2023;
- appointed a new Deputy Chief Executive;
- appointed a new Business Support Manager;
- continued planning for the future programme of review work and reviewed their future budget requirements in light of the Welsh Government's Reforming Local Government White Paper;
- Responded to the call for written evidence on the Local Government (Wales) Bill;
- Gave oral evidence to the Communities, Equality and Local Government Committee of the National Assembly for Wales on the Local Government (Wales) Bill;
- responded to the consultation on the Welsh Government's Reforming Local Government White Paper;
- responded to the consultation on the Welsh Government's Public Services Staff Commission White Paper;
- responded to the Welsh Language Commissioner's Standards Investigation;
- responded to the Welsh Government's consultation on the National Assembly for Wales Disqualification Order;
- responded to the Law Commission's consultation on Electoral Law;
- tendered for new internal audit and printing contracts;
- met the Welsh Government Minister for Local Government;
- Inaugurated a Workforce Sub-Committee;
- tested their Business Continuity Plan;
- reviewed the following policies, adopting revised versions as necessary:
 - All HR people policies;
 - Equal Opportunities;
 - Environmental;
 - Risk Management; and
 - Code of Conduct for Staff.
- 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 2014-15 including meetings with Welsh Government and the Independent Remuneration Panel;
- participated in quarterly Welsh Government Electoral Planning meetings;
- published Final Proposals for the review of the electoral arrangements for Pembrokeshire;
- published Draft Proposals for a community review of Flintshire (Flint Mountain);

- contributed to the National Procurement Service framework for occupational health and Employee assistance programmes;
- underwent an Investors In People review and retained IIP Standard; and
- retained Green Dragon Level 2 accreditation.

5. Board Effectiveness

5.1 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. During 2014-15 a new induction checklist specifically for independent Audit and Risk Assurance Committee members who are not Commission members was adopted.

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.

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.

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 Questionnaire has been developed and will be implemented when the Commission undertakes any future review work.

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 2014-15 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 and the Committee's annual internal audit assessment exercise;
- the Committee received progress reports on implementation of the audit recommendations at every meeting. During 2014-15 it was noted that all the majority of the previous year's recommendations had been implemented within the agreed time;
- the Committee received a report on the Commission's Business Continuity Plan test;
- the Committee received a report on the Commission's schedule of losses for 2013-14;
- the Committee received a report on the Commission's verification of fixed assets exercise;
- the Committee confirmed that the Commission had maintained satisfactory systems for budget monitoring, risk management review, whistleblowing and fraud, IT data security and gifts and hospitality;
- the Committee drafted and adopted an annual Work Plan;
- the Committee drafted and adopted internal audit effectiveness assessment annual questionnaires for its Members and the Accounting Officer;
- the Committee drafted and adopted a Members' Induction Checklist; and
- the Committee was satisfied that the Commission's Accounting Officer could be substantially assured that Commission's control, risk and governance arrangements in 2014-15 provided a sound and reasonable basis for his completion of the Governance Statement.

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

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 and Risk Assurance 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 2014-15 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 2014-15

Audit Area	Date Released	Weakness Identified			Assurance Level
		High priority	Medium priority	Low priority	
Corporate governance	October 2014	-	-	1	Full
Risk Management	October 2014	-	2	1	Substantial
Pension Arrangements	October 2014	-	2	-	Substantial

Annual Audit Report 2014-15

Audit Area	Date Released	Weakness Identified			Assurance Level
		High priority	Medium priority	Low priority	
Commission Reviews	April 2015	-	2	-	Substantial
Purchasing, Payables and Procurement	April 2015	-	2	2	Substantial
Petty Cash	April 2015	-	-	1	Substantial

The Commission reported their intention to tender for a new 5 year internal audit contract to the February Audit and Risk Assurance Committee meeting.

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 and performance work and in the annual audit letter. The Audit conclusions for the 2013-14 financial year were reviewed at the November 2014 meeting of the Audit and Risk Assurance Committee. An unqualified opinion was given on the 2013-14 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 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 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 2014/15 the main risks identified and managed by the LDBCW were:

Risk Identified	Mitigating Action
<p>Commission does not receive substantial review directions from Minister within the timetable envisaged.</p> <p>The Welsh Government's response to the report of the Commission on Public Service Governance and Delivery resulting in a change to what work the Commission is required to undertake and deliver post 2013.</p> <p>The Commission's role in the Welsh Government's intended Local Government reorganisation is not provided for adequately and the Commission's required time and resources are not appropriately understood and provided for by Welsh Government.</p>	<p>Liaison with Welsh Government to share emerging policy and practice.</p> <p>Consideration to possible future programme and budget requirements.</p> <p>Close liaison with WG to gain earliest possible clarification of their response to the Commission's recommendations and timetable for implementation.</p> <p>Improved engagement and understanding with principal councils and other stakeholders.</p> <p>Swift response to any change and flexibility in future work programme.</p> <p>Use 2014-15 Remit Letter from WG to inform forward planning.</p> <p>Take account of any advice regarding Town and Community Councils.</p> <p>Provide WG with information and scenarios in order to draw attention to the potential problems in the review planning / timetable.</p> <p>Updating review programme plans and budget based on latest information from WG.</p> <p>Ensure latest plans and budget estimates are shared with WG.</p> <p>Consider and respond to the White Paper, Reforming Local Government and subsequent decisions of Welsh Government on timing.</p> <p>Provide evidence to WG once draft Bill published.</p>
<p>No contingency for loss of key staff covering review work and governance requirements.</p>	<p>Change from seconded to directly employed staff.</p> <p>Desk Instructions for all key processes to be maintained and kept up to date.</p> <p>Succession Plan to be drafted.</p> <p>Wider base for training opportunities offered to all staff to encourage progression.</p> <p>The culture of the Commission should be embedded in staff through:</p> <ul style="list-style-type: none"> Corporate Strategy. Team and management meetings and discussions. Policies, practices, procedures and desk instructions. Roles of key staff to be shadowed by other staff. Skills audit to be undertaken. Finance continuity to be covered in BCP. <p>Walk-through on main finance procedures to be provided for staff.</p> <p>Consider the need for secondment or short-term appointment of additional staff.</p>
<p>Insufficient future funding and resources.</p> <p>Actual budget for future years are less than estimated expenditure due to national economic situation / cost saving programmes undertaken by Welsh Government.</p>	<p>Test annual estimates against current knowledge of future programme of work and changes in Welsh Government policy.</p> <p>Adequate BCW funding obtained from Cabinet Office to support budget for next 3 years.</p> <p>Maintain dialogue with Welsh Government in respect of the impact of potential future budgetary requirements and constraints.</p> <p>Meeting to be arranged with Cabinet Office to discuss future changes to funding requirements.</p>

The Welsh Government's response to the report of the Commission on Public Service Governance and Delivery has been the Local Government (Wales) Bill which is passing through the Senedd at this time and the 'Power to Local People' White Paper. These propose a programme of merger and reform of Local government in Wales. This will have a significant impact on the future work of the LDBCW. The risk is that the LDBCW may not receive substantive and adequate directions from the Minister or the time and resources to effectively carry out a programme of reviews and meet the deadline for completion. To mitigate against this risk the LDBCW has engaged in close liaison with Welsh Government regarding future budget and resource requirements to enable a successful programme of reviews.

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

The risk in respect of insufficient future funding was mitigated by liaison with Welsh Government regarding possible budget requirement scenarios. Also 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 has helped mitigate this risk.

9. 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.

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 above a value of £20 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.

11. Tax Assurance for Off-Payroll Employees

All of the Commission's staff and board members are paid through the Commission's payroll system and subject to the appropriate tax and National Insurance contributions. No off-payroll payments were made to any staff or board members during 2014-15.

12. Complaints Scheme

The Commission's Complaints Policy was fully revised in January 2014 following a provision of the Local Government (Democracy) (Wales) Act 2013 which added the Commission to the listed authorities in Schedule 3 to the Public Services Ombudsman (Wales) Act 2005 and brought the Commission under the jurisdiction of the Public Services Ombudsman Wales. The Commission did not receive any complaints during 2014-15.

13. 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.

14. 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 to be considered at every Audit and Risk Assurance Committee meeting. There were no instances of whistleblowing or suspected fraud during 2014-15.

15. 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.

SIGNED _____ DATE _____
Owen Watkin
Chair

SIGNED _____ DATE _____
Steve Halsall
Chief Executive and Accounting Officer