

Local Government  
**OMBUDSMAN**

Commission for Local  
Administration in England

**Annual Report & Accounts  
2013-14**

**Accountable**

**Efficient**

**Transparent**

Commission for  
Local Administration  
in England

**Local Government Ombudsman**

Annual Report & Accounts  
2013-14

Presented to Parliament pursuant to Section 23A(3A) of the Local Government Act 1974 as amended by Section 170(1) (5) of the Local Government and Public Involvement in Health Act 2007; and Section 34S(5) of the Local Government Act 1974 as amended by the Health Act 2009 Section 35, Schedule 5, Part 1, paragraphs 1 and 2.

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# Foreword



“When a public body has changed for the better we are happy to draw attention to that fact... the LGO has sought to become more accountable, more efficient and more transparent, and for that we commend it.”

**Communities & Local Government Select Committee**

I am pleased to present the Annual Report and Accounts for the Commission for Local Administration in England for the year ended 31 March 2014.

Created by legislation in 1974, the Local Government Ombudsman (LGO) has provided a service to the public for 40 years. During that time the delivery of local public services has changed beyond recognition. The increased involvement of the private and voluntary sectors in the delivery of services is changing the relationship between the citizen and the state. A multi-agency environment, where people have greater choice about service providers, brings significant challenges. Challenges for local government, especially elected members, to ensure new delivery models do not weaken local accountability. Challenges for users of services, to understand how to seek redress when public services let them down. Challenges for LGO, to continue to deliver a high quality service that provides independent investigation and redress.

In meeting those challenges we start from a strong position. In December, the Communities and Local Government Select Committee considered how

we were performing. Their report highlighted the steps we have taken to develop the service we provide so that we are more accountable, more efficient and more transparent.

Having made significant improvement in our own performance, it is right that we also focus upon ensuring that our work has increased impact by highlighting systemic issues and by supporting local service improvements. In 2014-15 we are publishing our first annual reviews of complaints in both our social care and local government jurisdictions. These will identify the trends we have seen in complaints, highlight the learning that can be taken from them, and propose opportunities to reform the way complaints are handled. Our desire is to see a complaints system that is more accessible, more effective and more accountable.

2013-14 has truly been a year of transformation for LGO. Our new business model has exceeded our expectations in delivering a more efficient and effective service. This has allowed us to handle more complaints and produce more reports during the year against more rigorous performance targets. We have also introduced a new quality framework so we can

# Foreword

measure ourselves against more customer-focused service standards. Having been criticised for taking too long to take decisions on cases brought to us, we now have a system in place to give an initial response to all enquiries within one day, to assess all registered complaints for investigation within 20 days and to reduce the small number of cases that take more than a year to investigate. LGO staff all deserve credit and thanks for responding to the challenges.

As a publicly funded body we continue to respond to the need for greater value for public money and make our contribution to reducing the financial deficit. The Transformation Plan has delivered savings of over 30% and we will continue to look for ways to deliver further efficiencies in the future. But this must not be at the expense of continuing to meet our statutory function to provide independent investigation and redress for all individuals who come to us with a valid complaint. We are working closely with the Parliamentary and Health Service Ombudsman and the Cabinet Office as well as our own sponsor department, the Department for Communities and Local Government, to inform the review currently being conducted which we

expect will prompt proposals for reform. The need for LGO to remain relevant and resilient, in particular in responding to the increased integration of health and social care at the local level, will be a key driver for us.

In the meantime we are strengthening the governance of the Commission for Local Administration in England in line with recommendations agreed by the Secretary of State following the independent review by Robert Gordon. David Liggins, the independent Chair of the Remuneration Committee has agreed to join Sir Jon Shortridge, the independent Chair of the Audit Committee, as a second Advisory Member of the Commission and a further additional Advisory Member is being recruited. This will bring more robust external strategic challenge and direction in the future.

At the end of March my colleague ombudsman, Anne Seex, agreed her retirement with the sponsor Department after a period of ill-health. I know that she considered it a privilege to hold the office of ombudsman and we wish her well for the future. Following Robert Gordon's recommendations we have agreed with the sponsor Department that we will continue to operate under

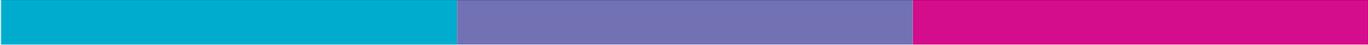
the direction and leadership of one ombudsman with the revised arrangements introduced earlier in the year.

The future will no doubt hold greater challenges for the organisation. I want to thank all staff, the Executive Team and members of the Commission for their continued commitment to LGO. Our achievements over the past year give me even more confidence that we will provide excellent public service in the years to come.

## **Dr Jane Martin**

Chair, Commission for  
Local Administration in  
England  
Local Government  
Ombudsman

# Who we are, what we do



**We are the Ombudsman for local public services. We are also the Social Care Ombudsman.**

The Local Government Ombudsman helps to make sure that local public services are accountable to the people that use them by ensuring that local authorities put things right when they go wrong. This could be where the local authority has failed to provide the level of service that the public can rightly expect to receive. Similarly, it could be where the council has not acted properly in carrying out their functions.

We are also the Social Care Ombudsman, providing a one-stop-shop for complaints about the service provided by all registered social care providers. Our powers to investigate extend to complaints about both publicly and privately funded social care. This means the public has a clear route for redress and do not have to navigate complex processes in what is often a confusing social care system.

Ideally, local authorities and social care providers should be able to resolve complaints directly without requiring the public to escalate their complaint to us. For this reason we expect the complaint to be raised with the body concerned before we will look at it. However, the public can feel reassured that there is a fair and independent ombudsman that they can turn to if their complaint is not resolved.

As a result of resolving complaints and providing a remedy for individual injustice, we gather significant evidence of wider failings in the delivery of public services. If they are not addressed then the public will face the same problems and need to raise the same concerns time and time again. We recognise our role in helping public services learn from complaints and we work closely with partners in the advice sector, in Parliament and in public services to share learning from our work.

The day-to-day management of the LGO is carried out by the Executive Team who are accountable to the Local Government Ombudsman and Chair of the Commission, Dr Jane Martin.

# Who we are, what we do

## Membership of the Commission



### Chair

**Dr Jane Martin** - Local Government Ombudsman

## Ex Officio Member

**Dame Julie Mellor DBE** - Parliamentary and Health Service Ombudsman

## Advisory Members

- > **Sir Jon Shortridge** - Chair of the Audit Committee
- > **David Liggins** - Chair of the Remuneration Committee
- > **Vacancy**

## The Executive Team



**Nigel Ellis**  
Executive  
Director

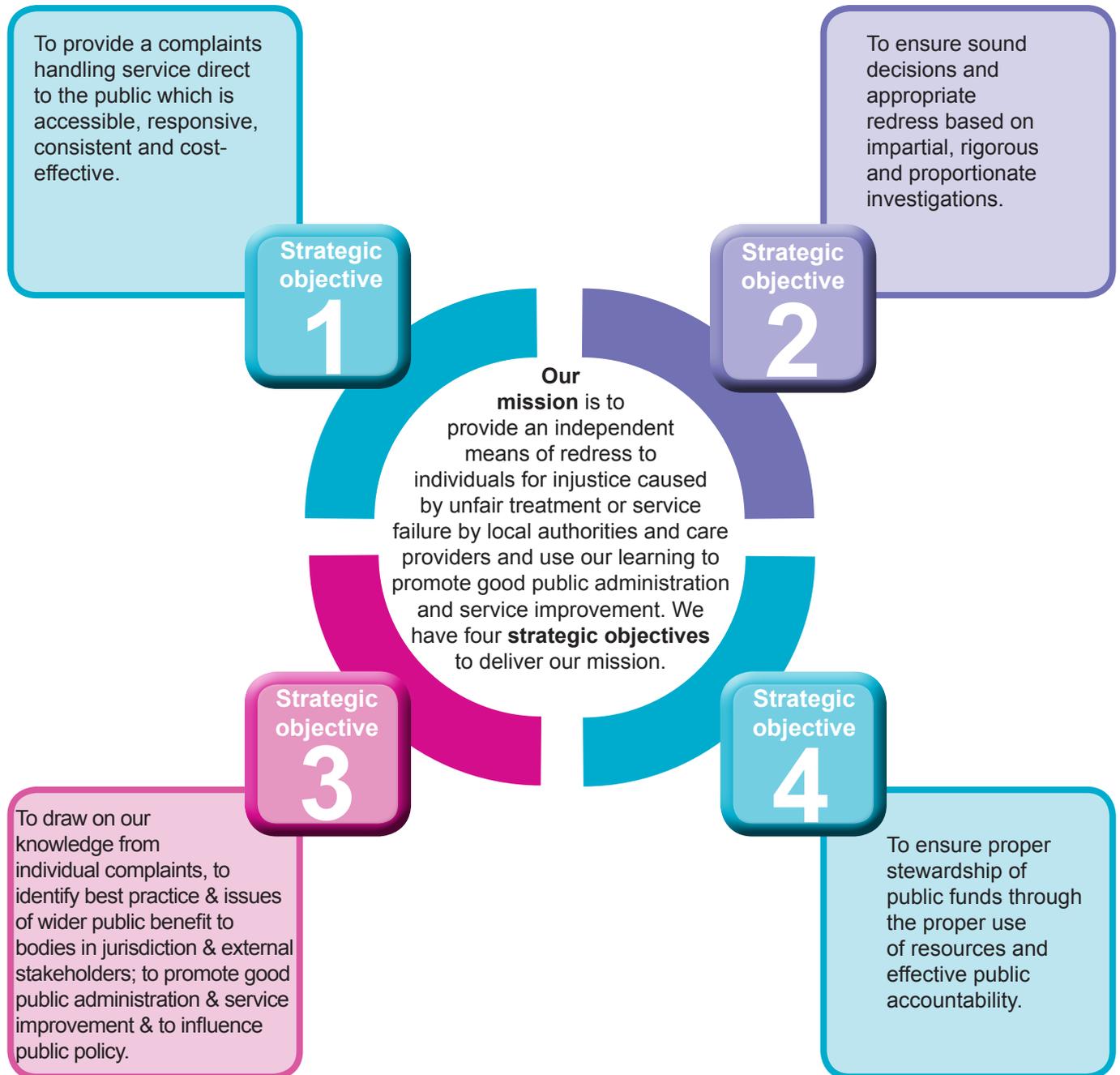


**Michael King**  
Executive  
Director



**Heather  
Lees**  
Commission  
Operating  
Officer

# Who we are, what we do



# Our performance

We deliver a high quality service thanks to the excellent performance of our staff. We expect everyone at LGO to take responsibility for the quality of their work and to be held accountable when the desired quality is not achieved. We do this by operation of a Quality Framework which our managers and leaders use to measure performance and to identify areas for development. Underpinning that framework are the four strategic objectives outlined opposite.

## Key successes 2013-14

### Accountable

- > **Set up Advisory Forum to increase our accountability to the users of our service.**
- > **Carried out staff survey as part of our accountability as an employer which showed a positive 50 percentage point shift in satisfaction with leadership.**

### Efficient

- > **Increased the number of decisions made within 13 weeks from 55% to 68% (compared to 2012-13).**
- > **Considered 14% more complaints and enquiries than last year on a reduced budget.**

### Transparent

- > **Began publishing all the decisions we reach on our website.**
- > **Issued three focus reports highlighting the failings we identified.**

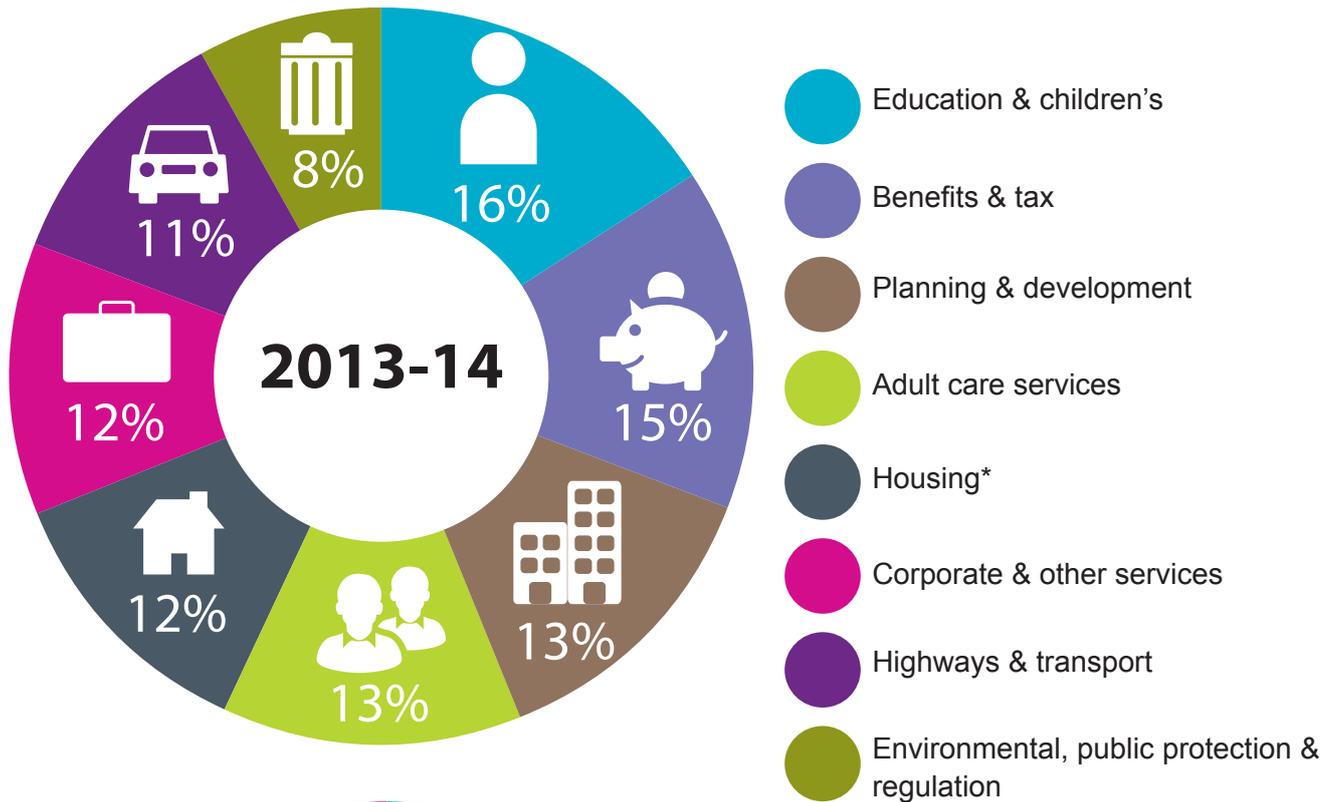
## Accessible complaints handling service

In 2013-14 we registered **20,306** new complaints and enquiries, an increase from 20,186 in the previous financial year. Many of the queries that people raised with us could be resolved quickly by providing advice about our role and how the complaint process works. However, 11,725 complaints and enquiries required further consideration by us and were referred to our assessment team. Below we explain how we were able to assist in those cases.



## Accessible complaints handling service

The complaints that we received last year covered a wide range of areas. As in previous years education and children’s services provided the largest number of complaints to LGO. The chart below shows the proportion of complaints we received in the different areas of our work. The smaller chart shows the breakdown for the previous year.



\*In 2013-14 LGO’s jurisdiction was changed which accounts for the reduction in the number of complaints about housing.

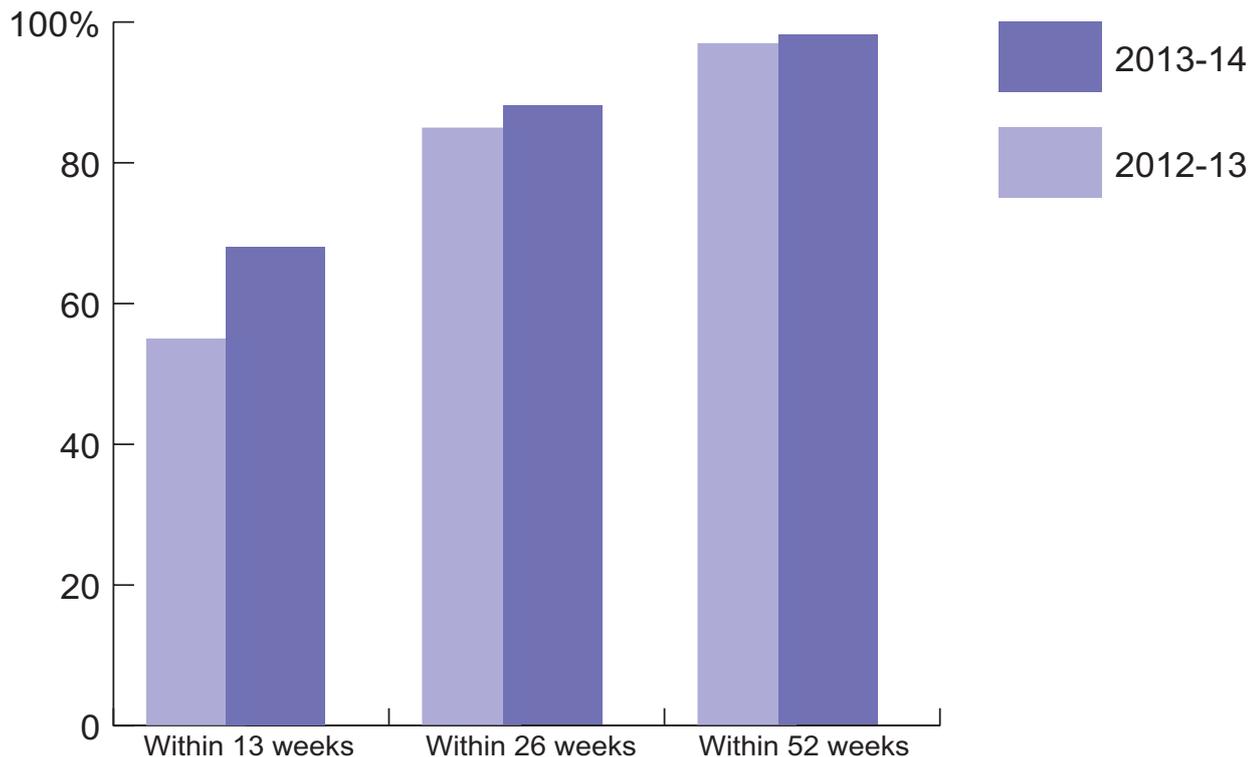


## Accessible complaints handling service

The last 12 months have seen us experience a significant period of change. At the same time, in common with many other publicly funded organisations, we have needed to manage reductions in our resources. Nevertheless, we still challenged ourselves to ensure that those pressures would not delay people's right to seek redress. It is therefore especially pleasing that despite those challenges we have been able to provide the public with a more effective service with decisions being made more swiftly.

Of course, some of the issues we consider are complex and there will always be cases that need more time spent on them to provide an effective outcome. By the end of the financial year around 1% of our ongoing cases had been under investigation for over 12 months. We keep every complex case under close review and ensure that people are updated regularly.

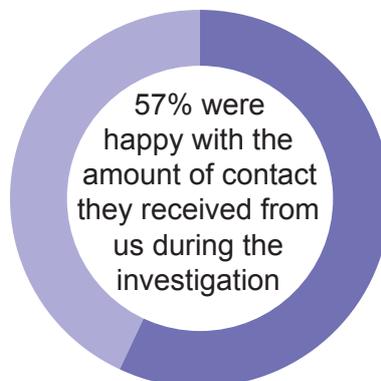
### Time taken to deal with complaints



Strategic objective  
**1**

## Accessible complaints handling service

In assessing our performance against our first strategic objective the main opinion that counts is that of our customers. During 2013-14 we carried out customer satisfaction research on ongoing cases. The research involved detailed telephone interview with over 800 of our customers and this was carried out by an independent research agency. The detailed results will be available on our website. The data allowed us to better understand our performance against this first strategic objective and to understand where we can make improvements.



The results show that for the majority of our customers we are providing them with the service they want and expect. The detailed interviews also highlighted areas where we can improve our service further. In particular, a quarter of respondents said that dealing with us was harder than expected. Their comments will help us take steps to ensure that we are more accessible and responsive in the future.

## Making sound decisions

### We listen to the views of people using our service to judge how well we are performing.

Many people approach us because there have been problems with the decision making by their local council or care provider. It makes it especially important that we ourselves do not repeat those mistakes and deliver decisions that are sound and evidence based.

We listen to the views of people using our service to judge how well we are performing. The customer satisfaction research referred to earlier focused upon ongoing cases. From April 2014 we began to measure satisfaction with our service on the conclusion of every investigation. This data, which will be published quarterly will give us detailed and contemporaneous evidence about the quality of our decision making. In next year's Annual Report it will be used as a key measure on our performance against this strategic objective.

In the meantime we have three further measures that we use to consider whether our decision making is sound and whether we provide appropriate redress.

### Reviews of decisions

Where someone expresses dissatisfaction with a decision we ensure that their case is reviewed by a senior member of staff who has had no previous involvement with the complaint. Through this process we seek to identify any concerns with our decision making and provide reassurance to our customers that they have been considered fairly and impartially. In 2013-14 we received 1,107 requests for reviews about our decisions, compared to 877 the previous year. This increase is due to a change in our working practices where all review requests are now recorded in the same way to provide a more accurate picture.

We found that the decision making was not of the standard we would expect in 6.7% of those cases, representing just under 0.4% of all complaints and enquiries. By considering those cases we identified that there was sometimes a need for us to give more information about how we had reached our decision. This is informing a piece of work in this year's business plan on the way we use evidence. However, we are pleased that in the vast majority of cases our decision making is shown to be sound.

### Complaints about our service

Our Quality Framework supports us in providing a high

standard of service to members of the public. However, we sometimes give people cause to raise concerns about our service. To improve the quality of our data we now record service complaints separately from requests to review our decision. This has also allowed us to more effectively report on complaints about our service to our Leadership Team and to the Commission.

Last year we received complaints about the service we provided on 107 cases, representing just 0.5% of complaints and enquiries. After fully investigating those concerns we established that we had not provided the service that people can expect in 28 cases. For those people we took steps to correct the failings in our service and to learn from those mistakes.

### Judicial reviews

As with other publicly funded bodies, our decisions can be subject to legal challenge through judicial review.

In 2013-14 we received 16 pre-action protocol letters, a requirement before proceedings are issued. That represented 0.08% of all complaints and enquiries received during the course of the year. None of these were granted permission to proceed by the court.

## Promoting best practice

**We now publish every decision we reach, except where to do so would compromise the anonymity of the person making the complaint.**

As part of our investigations we ask people what outcome they are seeking from the complaint to help us identify a suitable remedy. Often we are told that people simply want to ensure that other people do not experience the same problems. The tens of thousands of complaints and enquiries that we deal with every year place us in a strong position to help ensure that individual complaints are turned into wider service improvements and help inform policy changes.

Responding to feedback from our customers and other stakeholders we have changed the way we describe the outcomes of complaints. In particular we were told that we used too many different descriptions and that the public primarily wanted to know whether or not we upheld a complaint. We now record our outcomes in that way and in 2013-14 we upheld 46% of complaints that we investigated in detail.

A significant development in the last year was the move to make all of the outcomes of complaints available on our website. We now publish every decision we reach, except where to do so would compromise the anonymity of the person making the complaint. This brings greater transparency to our decision making and provides bodies in our jurisdiction with a wealth

of information that can be used to inform local service improvements.

Thousands of individual decisions covering the broad range of council services and social care can now be found on our website ([www.lgo.org.uk](http://www.lgo.org.uk)).

Some cases highlight issues of wider public interest. In the last year we published 58 detailed reports of investigations. These included a case where over 380 people who cared for the children of family members had been denied the financial support that they were entitled to. They also included eight reports into investigations that we carried out jointly with the Parliamentary and Health Service Ombudsman, where issues of both health and social care were being raised. By publishing such cases we seek to ensure that all local authorities apply the lessons to their own councils and learn from the experiences of people in one area to inform service improvement in another.

Details of all the reports we have published in the last 12 months can be found on pages 13 and 14.

# Promoting best practice:

April	May	June	July	August	September
Nottingham City Council: children's services	Shropshire Council: direct payments	Kent County Council: assessment & charging	Nottingham City Council: safeguarding & residential care	Liverpool City Council: children's services	London Borough of Merton Council: charging
Derbyshire Dales District Council: noise	Essex County Council: safeguarding	West Sussex County Council: charging	Derbyshire County Council: child protection	London Borough of Redbridge Council: planning application	Worcestershire County Council: children's services
	Cheshire East Council: planning application	Wakefield City Metropolitan District Council: residential care*	Trafford MBC: children's services*		Westminster City Council: homelessness
		Kent County Council: children's services	Bristol City Council: homelessness		Cornwall Council: planning application
		Daventry District Council: disabled facilities grant	Wiltshire Council: homelessness		Cumbria CC & Barrow-in-Furness BC: planning enforcement
		Birmingham City Council: homelessness			
		London Borough of Southwark Council: homelessness			

- Adult care services
- Corporate or other
- Education & children's services
- Environmental, public protection & regulation
- Highways & transport
- Housing
- Planning and development

\* Joint report published with the Parliamentary & Health Service Ombudsman

## reports published 2013-14

October	November	December	January	February	March
Cheshire East Council: independent living	Kirklees MBC: assessment*	London Borough of Ealing Council: residential care	Essex CC & Sussex CC: safeguarding*	Sandwell MBC: disabled facilities grants	Derbyshire CC & Sheffield City Council: care plan*
Thurrock Council: assessment	Bolsover District Council: land	London Borough of Lambeth Council: school admissions	Shropshire Council: direct payments (further report)	Somerset CC & Taunton Deane BC: care plan*	Walsall MBC: charging
Reading Borough Council: residential care*	Wigan MBC: contracts & business matters	London Borough of Ealing Council: homelessness & allocations	Worcestershire County Council: care plan		Birmingham City Council: disabled child
Lincolnshire County Council: special educational needs	Calderdale MBC: disabled child		Isle of Wight Council: allocations		Doncaster MBC: child protection
Walsall MBC: child protection	Cambridgeshire County Council: children's services		London Borough of Hammersmith & Fulham Council: housing (other)		Hinckley & Bosworth Borough Council: noise
London Borough of Brent Council: highways & transport (other)	Warrington Borough Council: special educational needs		Kingston upon Hull City Council: homelessness & allocations		London Borough of Newham Council: homelessness
Northumberland Council: planning applications	Warrington Borough Council: special educational needs*				Help Unlimited: direct payments & independent living (adverse findings notice)
Selby District Council: planning application	Birmingham City Council: antisocial behaviour				

## Promoting best practice

support to make their own way and contribute effectively as adults.

### > **Special Educational Needs: preparing for the future**

Highlighting that we receive more complaints about education and children's service than any other area, our report called for fair treatment for children with special educational needs so that they receive the support which they are entitled to.

We see our central role as providing an independent route to redress when the public are let down by public services and social care providers. However, equally as important is using our expertise in resolving complaints to support effective complaint handling at the local level. We know that a complaint can be resolved more easily, more effectively and in a more cost efficient way if the provider of the service takes action themselves.

To support that process we offer training to local authorities on effective complaint handling. In the last year we delivered 45 courses, delivering training to over 750 front line complaints staff in councils around England.

Our investigations will often highlight issues that we see occurring repeatedly across different councils and providers. We publish Focus Reports that identify the failings that we see, propose practical recommendations for how services can be improved and support local accountability by suggesting questions that councillors can ask when scrutinising public services.

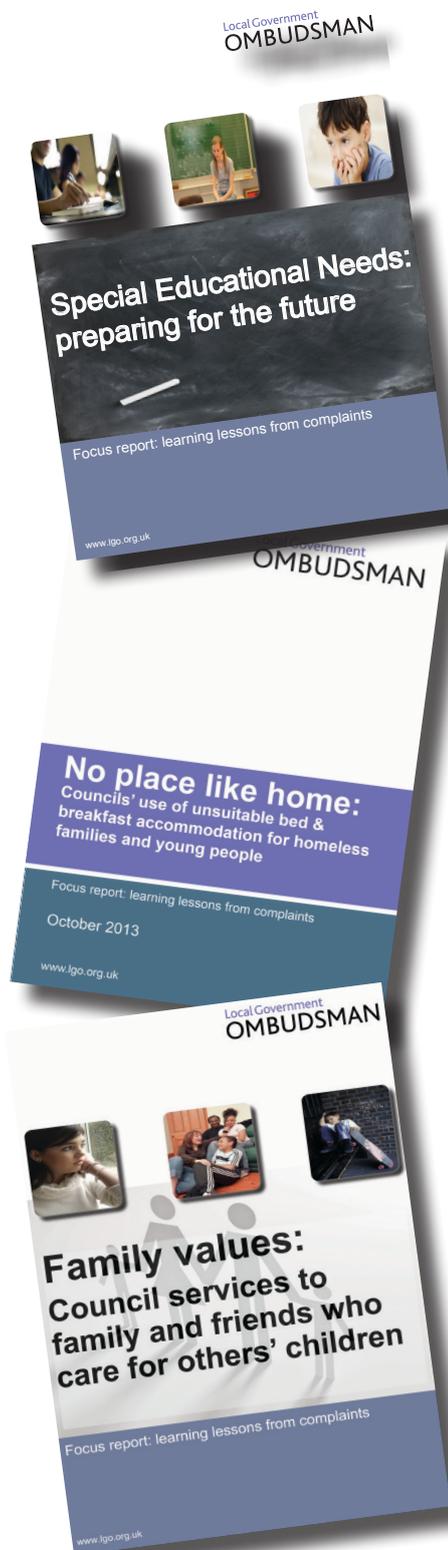
In 2013-14 we published three such Focus Reports:

### > **No place like home: councils' use of unsuitable bed and breakfast accommodation for homeless families and young people**

We highlighted the growing number of cases that show the human impact of councils' inappropriate use of bed and breakfast to house the most vulnerable.

### > **Family values: council services to family and friends who care for others' children**

On Carers' Rights Day we published examples where children and their families, some of whom are very vulnerable and at risk, were being treated unfairly. We spoke of the importance of fair treatment so that all children have the best start in life and the best possible





## Effective public accountability

**As a publicly funded body we consider it is essential that we are open and transparent as this is key to ensuring we are accountable for the service we deliver.**

The Annual Accounts that form part of this report set out in detail how we have used public money in the delivery of the Local Government Ombudsman service. As a publicly funded body we consider it is essential that we are open and transparent as this is key to ensuring we are accountable for the service we deliver.

We are accountable to Parliament through the Communities and Local Government Select Committee and to the Department for Communities and Local Government (DCLG). In December we appeared before the Committee to provide evidence on the improvements we have delivered over the previous 12 months. The Committee published their report in January of this year and it can be found on Parliament's website. We welcomed the Committee's

recognition of the steps we have taken to become more accountable, efficient and transparent.

The Committee also highlighted the need to give the public greater reassurance about the way complaints about our service are handled. We are in the process of appointing an independent person to review the handling of complaints about our service. We hope this will identify good practice and opportunities where we can improve further. We consider that by implementing an independent review of this area of our work we will further increase our public accountability and provide users of our service with greater reassurance.

In the last year we have also sought to increase our accountability to the users of our service. In October we held the first meeting of our new Advisory Forum to make sure that feedback from people who have used our service drives improvement. The Forum is made up of a majority of members of the public who have used our service. We also have representatives from local authorities and social care providers, as well as those who act as advocates for the public such as advisory bodies. Since it was established the Forum has advised us on the accessibility of our service; provided direct feedback about the user

experience; and shared views to make sure our service meets the needs of all the people who use our service. The notes of each meeting are shared with the Commission and published on our website.

Accountability in providing a service to the public is accompanied by accountability as an employer. In November 2013 we carried out our staff survey and were pleased that 85% of people responded. The results, which are available on our website, showed a significant improvement in the views that staff had about the organisation. In particular there was a positive 20 percentage point shift in the proportion of staff who considered LGO provides a great service and a positive 50 percentage point shift in people who considered the Ombudsman demonstrates good leadership skills. The results also showed that staff wanted greater focus on developing their specialist knowledge and expertise. Our training plan for this year will address this need.

Strengthened public accountability is showing itself to be a highly valuable tool in raising our performance. As an ombudsman service we consistently highlight the importance of accountable public services. The steps we have taken this year demonstrate that accountability is also a principle that we observe.

# Annual Accounts 2013-14

## Strategic Review & Commission Operating Officer's Report

### Format of Accounts

The Commission's Annual Accounts are prepared each financial year in the form agreed with the Secretary of State.

### Statutory background

The Commission for Local Administration in England (The Commission) was established under Part III of the Local Government Act 1974 (the Act). The Act provides for the appointment of Local Commissioners (the Local Government Ombudsmen) who, together with the Parliamentary and Health Service Ombudsman (PHSO) as a member ex officio, form the Commission for Local Administration in England. Appointments to the office of Local Commissioner are made by Her Majesty the Queen on the recommendation of the Secretary of State for Local Government. Commissioners may be appointed to serve full-time or part-time, and the Secretary of State designates one as Chair and another as Vice-Chair of the Commission. The Vice-Chair retired on the grounds of ill health and the Commission and the Department have agreed that

the post will not be filled.

### Review of Financial Performance 2013-14

During 2013-14 the Commission managed its funding in a prudent manner, with a £1.1m budgetary under-spend before capital and the Transformation Plan funding.

The Commission recognised total operating expenditure of £12.221m compared to £13.784m in 2012-13.

The largest budgetary saving was in staffing costs (£0.608m) and this was due to the Transformation Plan delivering savings earlier than predicted plus the effect of government's recruitment controls which included a freeze on recruitment. Further contributory factors were accommodation savings (£0.275m) which included the under-spend on the rent at 2 Marsham Street which resulted from the decision by the Home Office not to charge any rent for our six month occupancy in 2013-14. Office expenses and IT expenditure, which was affected by the temporary restriction on capital expenditure, were also underspent compared to budget.

Another major factor was the contingency under-spend of £0.200m compared to budget. The contingency was originally required to fund two ill health retirements; these were subsequently settled at a lower

cost to the Commission.

This under-spend was delivered whilst we improved our productivity post Transformation Plan, as explained in the Annual Report. However, the sustainability of this significant improvement in our performance will be jeopardised by any further cuts to our budget post 2014-15. The 2014-15 budget has already been cut by £1.239m; a combination of the removal of funding due to the removal of housing complaints from our jurisdiction and a cut in the funding due to the Spending Controls. The sponsor Department has already announced that their budget has been cut by a further 10% in 2015-16. We are working with the sponsor Department to ensure we are funded to a level that allows us to carry out our statutory functions.

Allowing for movements recognised in respect of the pension fund, expenditure in the current year and the prior year was consistent with agreed funding.

Our primary funding is received as Grant-in-Aid from the Department for Communities and Local Government (DCLG). Our use of Grant-in-Aid is reported regularly to DCLG.

During this financial year the Commission has also received Grant-in-Aid from one other government department. Of the £12,306,500 (2012-13: £13,443,571) received from DCLG, this included £266,000 (2012-13: £667,459) provided by the Department for Education (DfE). The Commission is not reliant or dependent on other sources of income.

As a result of the revaluation of pension scheme assets and liabilities during the year, the Commission's Statement of Financial Position at 31 March 2014 shows net liabilities of £22.446m. This reflects the inclusion of liabilities falling due in future years which, insofar as the Commission is unable to meet them from its other sources of income, would fall, in the last resort, to be met by central government.

### **Audit and reporting processes**

The Comptroller and Auditor General is the external auditor for the Commission. Before the 1 September following the end of the financial year, the Annual Accounts together with the auditor's opinion and report must be submitted to DCLG.

Included in the audit opinion is the auditor's view on whether the expenditure has complied with the purposes intended by Parliament.

The Commission has co-operated at all times with both the external and internal audit providers and values the input and scrutiny they provide. As far as the Commission is aware there is no relevant information of which the auditor is unaware.

The Commission has taken all available steps to ensure it is aware of relevant audit information; and to establish that the auditors are also aware of that information.

### **Auditor remuneration**

The audit fee payable to the National Audit Office for the audit of the 2013-14 Annual Report and Accounts is £15,000. There were no fees for non-audit work.

### **Payment of suppliers**

Our payment policy is to pay invoices in accordance with agreed contractual conditions or, where no such conditions exist, within 30 days of receipt of goods or services or the presentation of a valid invoice, whichever is the later. During the period, 92% of invoices were paid within the target period.

### **Political donations and expenditure**

The Commission made no donations and incurred no expenditure to political causes or advocates.

### **Charitable donations**

The Commission made no donations to charities, although was pleased to note staff recognising their part in the larger community devoting their own time and resources to various charitable activities.

### **Register of interests/gifts and hospitality**

The Commission maintains a register of Commissioners' and the Executive Teams' interests which is available for inspection by members of the general public upon request.

No significant interests or other company directorships were held by the Commission members.

### **Executive Team**

The Commission and Local Government Ombudsman, Jane Martin, are supported by an Executive Team comprising two Executive Directors, Nigel Ellis and Michael King, and Heather Lees, the Commission Operating Officer.

### **Sustainability reporting**

The Commission is exempt from sustainability reporting as it falls below the de minimis threshold of 250 full-time equivalent staff.

The Commission regularly scrutinises performance information from all parts of the business including financial data.

## Environment, social and community issues

The Commission is committed to reducing its environmental impact although it does not have any specific policies to report on environmental matters. Similarly, the Commission does not have any policies to report on employee, social and community issues.

## Sickness absence data

During the year 1,228 working days were lost through sickness absence; 373 of which were due to long term sickness absence. This equates to 2.8% of working time lost (2012-13: 2.3%). This compares to a national average of 3.8% in 2013 (as reported in the Chartered Institute of Personnel and Development absence management report published in October 2013). There were no reportable trends in the period.

## Staff numbers

At the end of March 2014, the Commission employed 160.66 FTE of which 105.46 were female and 55.20 were male.

## Significant events after the reporting period

On 17 April 2014, an employee was granted early retirement on ill health grounds, and this will result in an increase in the pension liability of £387,000 over and above the amount already included in the liability at

31 March 2014. This is a long-term liability and will be met by normal monthly contributions to the London Pensions Fund Authority; these contributions are next reassessed as part of the triennial valuation due on 31 March 2016.

## Financial instruments

There are no complex financial instruments.

## Principal risks and uncertainties

The uncertainty over future funding is the key risk. Uncertainty over funding is being managed through the Executive Team by monitoring the current budget and planning for future years. The risk is that the successful implementation of the new processes and practices will be affected and this could potentially reduce performance.

The other key risk relates to the accommodation relocation in Coventry and York. This risk is partly mitigated by the accommodation strategy and an Accommodation Project Group.

# Remuneration report

## Remuneration Committee

During the financial year 2013-14, the Remuneration Committee met three times and reported on its activities to the Commission.

The Committee is made up of three members appointed by the Commission. In the year in question they were:

- > Dr Jane Martin,
- > David Liggins (Independent Chair); and
- > Sir Jon Shortridge KCB.

## Remuneration Policy

For the year commencing 1 April 2013 a 1% pay award was granted.

## Ombudsman

The Local Government Ombudsman is a Crown appointment whose remuneration is determined by the Secretary of State but funded by the Commission's budget. The PHSO is not remunerated in respect of her statutory responsibilities as a LGO Commissioner.

Dr Jane Martin's service contract is for seven years to 10 January 2017.

## Advisory Members

The current members are Sir Jon Shortridge, Chair of the Audit Committee and David Liggins, Chair of the Remuneration Committee. The members remuneration consists of a day rate plus out of pocket expenses;

no pension benefits are accrued. Both members must give three months' notice to terminate their contract.

The remuneration paid to Advisory Members is determined by the Commission in agreement with DCLG. It is based on the anticipated number of days to be worked.

## Senior staff

The three senior staff are full-time employees of the Commission and have the same pay scheme with the following key elements:

- > **Base pay**  
Base pay is analogous to Senior Civil Service Band 1.
- > **London weighting**  
London weighting is paid at the same rate to all the Commission's London based staff and is analogous to that of the National Joint Council for Local Government (NJC).
- > **Notice period**  
The senior staff contracts are open ended, with a 12 week notice period.

Any consolidated increase within the pay band has to be agreed by the Secretary of State for DCLG and is subject to the principles set for Senior Civil Servants by the Review Body on Senior Salaries (SSRB). Any proposal from the Commission to DCLG is subject to advice from the Remuneration Committee.

Non-consolidated and non-pensionable performance-related bonus payments may be awarded as part of the Senior Civil Servants scheme in that year. The approval arrangements are the same as for consolidated awards. Individual performance is measured through an appraisal process and is determined by performance against objectives linked to the objectives of the organisation.

## Senior staff salaries and bonuses

Composition of remuneration:

- > **Salary** includes gross salary, reserved rights to London weighting or London allowances; recruitment allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.
- > **Bonuses** are non-consolidated, non-pensionable performance related payments. They are used to recognise and reward performance against in-year objectives.
- > The monetary value of **benefits in kind** covers any benefits provided by the Commission and treated by HM Revenue & Customs (HMRC) as a taxable emolument. This wholly relates to business mileage paid in excess of HMRC rates.

The following information has been audited by the Comptroller and Auditor General:

Name	Position	2013-14				2012-13			
		Salary £000	Benefits in kind (To nearest £100)	Pension Benefits £000	Total £000	Salary £000	Benefits in kind (To nearest £100)	Pension Benefits £000	Total £000
Jane Martin	Ombudsman & Chair	135-140	-	10	145-150	135-140	-	97	235-240
Anne Seex*	Ombudsman & Vice-Chair	65-70	-	18	85-90	125-130	300	0	125-130
Michael King	Executive Director	80-85	100	12	95-100	80-85	100	9	90-95
Nigel Ellis	Executive Director	85-90	700	17	100-105	85-90	300	21	105-110
Heather Lees**	Commission Operating Officer	80-85	-	19	100-105	15-20	-	4	20-25
Nigel Karney***	Deputy Chief Executive & Accounting Officer	95-100	-	0	95-100	90-95	-	7	95-100
Neville Jones****	Deputy Ombudsman	-	-	-	-	50-55	-	0	50-55

**Note: No bonuses were paid in 2012-13 and 2013-14.**

\* Anne Seex was absent in 2013-14 due to long-term sickness and as a result was paid a reduced salary in accordance with contractual terms. She was granted ill health retirement on 31 March 2014, which resulted in a payment of £55,047 by the Commission to the pension scheme.

\*\* Heather Lees joined the Commission on 14 January 2013 as Commission Operating Officer (COO). This was a new post under the Transformation Plan. The COO is also the Accounting Officer and the Senior Information Risk Owner (SIRO).

\*\*\* Nigel Karney left the Commission on 31 October 2013 and his salary above includes a redundancy payment of £42,501. The redundancy payment was paid in accordance with statutory requirements and entitlements based on length of service set out in the Contract of Employment.

\*\*\*\* Neville Jones retired on 2 November 2012.

## Fair Pay disclosures

	2013-14	Restated 2012-13
Band of the highest paid individual total (£'000)	135-140	135-140
Median Total Remuneration (£'000)	37	34
Ratio	1:3.7	1:4.0

In 2013-14, 0 employees (2012-13: nil) received remuneration in excess of the highest-paid Commission member. Remuneration ranged from £2,194 to £140,000 (2012-13: £812 to £139,619). Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The banded remuneration of the highest paid Commission member in 2013-14 was £135,000-£140,000 (2012-13: £135,000-£140,000). This was 3.7 times (2012-13: 4.0) the median remuneration of the workforce, which was £37,019 (2012-13: £34,255). The movement in the ratio from 2012-13 to 2013-14 is due to lower paid support staff being made redundant in 2012-13.

## Ombudsmen and senior staff pension entitlement details

The Ombudsmen and their senior staff have the same pension arrangements as other Commission staff as detailed in notes 1.8 and 1.9.

	Total accrued pension at 65 & related lump sum	Real increase/ (decrease) in pension & lump sum at pension age	CETV * at	CETV * at	Real increase in CETV
	at 31/3/14 £000	2013-14 £000	at 31/3/14 £000	at 31/3/13 £000	2013-14 £000
Jane Martin	55-60	0-2.5	895	832	30
	Lump sum -	-			
Anne Seex	50-55	0-2.5	1,155	1,071	50
	Lump sum 120-125	(0-2.5)			
Michael King	25-30	0-2.5	436	404	15
	Lump sum 55-60	(0-2.5)			
Nigel Ellis	5-10	0-2.5	59	43	8
	Lump sum -	-			
Heather Lees	0-5	0-2.5	43	26	11
	Lump sum -	-			
Nigel Karney	45-50	(0-2.5)	1,093	1,069	(9)
	Lump sum 115-120	(2.5-5.0)			

2013 CETV values have been restated using updated information.

\*CETV is the Cash Equivalent Transfer Value. A 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 scheme or arrangement when the staff 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 the disclosure applies. The CETV figures and the other pension details include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the LGPS arrangements. They also include any additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## Advisory Members' Remuneration

The remuneration of the Advisory Members in 2013-14 was as follows:

	Status	Advisory Members' total remuneration	Details
Sir Jon Shortridge KCB	Advisory Member	£5,328 (including £328 expenses)	
David Liggins	Advisory Member	£2,000	
Dame Julie Mellor	Independent Commissioner	Nil	The PHSO is not remunerated by CLAE in respect of her responsibilities as a local Commissioner.

**Heather Lees**  
**Accounting Officer & Commission Operating Officer**  
**30 June 2014**

This signature covers the 'Strategic Review and Commission Operating Officer's Report' and the 'Remuneration Report'.

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

Under the Framework Agreement between the Department for Communities and Local Government and the Commission for Local Administration in England, the Commission has been directed to prepare a statement of Accounts.

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 income and expenditure, changes in Taxpayers' Equity and cash flows for the financial year.

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

- > apply suitable accounting policies on a consistent basis;
- > make judgements and estimates on a reasonable basis;
- > state whether applicable accounting standards as set out in Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- > prepare the financial statements on a going concern basis unless directed otherwise.

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 proper records and for safeguarding the Commission's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury and published in Managing Public Money.

# Governance Statement

## Scope of responsibility

**1** My responsibilities as Accounting Officer are set out in 'Managing Public Money' (Chapter 3) and the Commission's Framework Agreement with its sponsor Department, DCLG. My accountability for use of public funds is subject to the authority of the Permanent Secretary of DCLG who is Accounting Officer for that Department.

**2** As Accounting Officer and Commission Operating Officer, I am personally responsible for safeguarding the public funds provided to the Commission; and for ensuring propriety and regularity in the handling of those public funds. I am required to ensure that the organisation is run on the basis of the requirements, in terms of governance, decision-making and financial management, set out in Managing Public Money. I must be able to assure Parliament and the public of high standards of probity in the management of public funds. However, I am not a Commissioner and my actions are subject to the approval and support of the Commission.

**3** As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control

outlined in this Statement. My review is informed by the work of the internal auditors and the managers within the Commission who have responsibility for the development and maintenance of the internal control framework, and by comments made by the external auditors in their Management Letter and other reports.

I have been advised on the effectiveness of the system of internal control by the Commission's Audit Committee. A systemic approach is in place to address any identified weaknesses and to ensure continuous improvement. This includes monthly reviews of the Internal Audit recommendations at the Executive Team meetings plus all internal audit terms of reference agreed by the Executive Team and the Chair. Also at each Audit Committee, the status of the recommendations and new reports are reviewed.

**4** This Governance Statement is presented by me as part of the Annual Accounts. The external auditor will consider whether this Statement complies with HM Treasury's guidance, as set out in Annex 3.1 of Managing Public Money.

## The Governance Framework

**5** The Commission is a statutory body under the Local Government Act 1974. The members of the Commission are one Local Commissioner (Local Government Ombudsman [LGO]) and the Parliamentary and Health Service Ombudsman, Dame Julie Mellor. The Vice-Chair, Anne Seex, retired on the grounds of ill health in March 2014. The Chair of the Audit Committee, Sir Jon Shortridge sits on the Commission as an Advisory Member. David Liggins, Independent Chair of the Remuneration Committee joined the Commission as an Advisory Member in April 2014. The Commission is also advertising for one further Advisory Member.

**6** The Commission meets five times a year. I attend the Commission meetings to advise the Commission and to answer any questions concerning my activity as the Accounting Officer together with the Executive Directors.

**7** The Commission has conducted its operations taking into account the guidance issued by Cabinet Office in relation to spending controls. This includes control procedures

relating to the appointment of staff, advertising (including advertising vacant posts) and spending on consultants. The effects of these controls are that the Commission has to satisfy the Secretary of State that the expenditure and associated action is necessary for the effective operation of the body; this process involves time and effort for both parties. The process has delayed recruitment throughout the organisation and contributed to an under-spend in staffing costs.

**8** 2013-14 was the first complete year of operation for the new structures, processes and governance arrangements introduced under the Transformation Plan. I am pleased to report that the new approach has been very successful in increasing productivity, quality of decision making and offering a more efficient and cost effective service to the public. For example, we increased the number of decisions made within 13 weeks from 55% to 68% whilst delivering savings including reducing salary costs. The approach has also been welcomed by staff in many areas as evidenced by the much improved staff survey results published in January 2014.

The delivery of the Transformation Plan was not without its challenges and risks. We had reduced our

staffing numbers and a number of experienced investigators left. However, to mitigate the risks of a reduced service delivery we implemented Good Practice seminars across all three offices and introduced organisational wide manuals for Intake, Assessment and Investigation to ensure all staff followed the same processes and procedures and standards. We introduced a Quality Framework that monitored the whole business involving all of the newly formed Leadership Team; the team report directly to the Executive Team. The membership of the Leadership Team includes all the senior managers in the organisation. This new more open communicative style with the focus on one standard for all our work plus clear instruction for staff irrespective of which office they were situated managed the risks of the massive change programme and contributed to the improved results that are detailed in the Annual Report.

**9** During 2013-14 the Commission was subject to two reviews; an External Evaluation recommended by the Select Committee and a review by DCLG of the LGO's governance arrangements. The independent External Evaluation published in April 2013 confirmed that the LGO is independent and accountable; and it provides clear evidence that the public

have access to a fair and effective route to redress when they have complaints about local public services and social care providers. The evaluation was carried out by Richard Thomas CBE, Chair of the Administrative Justice and Tribunals Council; Jim Martin, the Scottish Public Services Ombudsman; and Dr Richard Kirkham from the University of Sheffield.

The DCLG review of the LGO's governance arrangements published in August 2013 supported a number of the recommendations of the External Evaluation namely:

- > in future there should be only one Local Government Ombudsman;
- > at the earliest opportunity there should be limited legislative changes to provide for a single Local Government Ombudsman in England;
- > in recognition of actual, proposed and likely future changes to public service delivery and taking account of pressure on public finances, consideration should be given to the creation of a unified public services ombudsman in the medium term;
- > the LGO service and the Parliamentary and Health Service Ombudsman (PHSO) should continue to build on

their current commitment to close joint working, proactively engaging in substantial initiatives to achieve economies, to harmonise processes and to provide the public with a clearer route to redress; and

- > that the Commission for Local Administration in England should be strengthened by governance action.

In response to this review we are working more closely with PHSO on a convergence project looking at both operational and back office harmonisation. A Joint Board has been set up comprising Sir Jon Shortridge as chair, Dr Jane Martin and Dame Julie Mellor. The board will lead the project and agree a timeline for convergence.

A further review of the Ombudsman landscape across England has been commissioned by Rt Hon Oliver Letwin MP, Minister of State at the Cabinet Office which is expected to be published later this year. This review is also being undertaken by Robert Gordon.

**10** The Commission received financial and performance data from all parts of the organisation to enable it to monitor performance and support strategic decision making. I am satisfied that

the level and quality of the data was appropriate. The organisation reviewed its performance measures during 2013-14 to ensure they are of the appropriate relevance and breadth. It compiled a new set of performance measures that are reviewed at each Commission meeting.

**11** A table setting out Commission and committee attendances by the Commissioners and senior management in 2013-14 is shown opposite.

**12** The Commission approves a rolling three year corporate plan and a one year business plan which forms the basis of its budgetary request to its sponsor Department and other funding departments. The Commission receives performance monitoring data linked to the business plan and status at each of its meetings; it reports on the outcome in its Annual Report.

The Commission is reviewing the current Corporate Plan that ends in 2014. We are working with the Parliamentary and Health Service Ombudsman on a shared vision and aims that will form the basis of the new plan.

**13** The LGO appeared at the Communities and Local

Government Select Committee in December 2013, giving evidence into their inquiry into the work of the LGO. The Committee's resulting report was complimentary about the progress the LGO has made in improving performance, and becoming a more accountable, efficient and transparent organisation.

**14** However the Commission still faces a number of challenges namely the budget consequences of the 2015-16 Spending Review alongside the requirement to move from both our Coventry and York offices at the end of their leases in 2015. A funding business case has been submitted to the Department.

**15** The Commission contributed to two cross-DCLG reviews. They are both in response to the qualification of the sponsor Department's accounts in 2012-13 which arose from the overspend on their capital budget. The first was a review of the financial capability and capacity within Arm's Length Bodies (ALBs) undertaken by PWC. The review concluded that within all the ALBs (including the LGO) there is a relatively strong financial control environment, strong financial statement production and risk awareness. The greatest area of concern focussed on the effectiveness

## Commission and Committee attendances

Present	Commission meetings (5 in total)	Audit Committee meetings (4 in total)	Remuneration Committee meetings (3 in total)
<b>Dr Jane Martin</b> (Chair of Commission)	5	4	3
<b>Anne Seex</b> (Vice-chair)*	-	-	-
<b>Dame Julie Mellor</b> (Parliamentary & Health Service Ombudsman)	5	3	-
<b>Sir Jon Shortridge</b> (Audit Committee Chair)	5	4	3
<b>David Liggins</b> (Remuneration Committee Chair)	1	4	3
<b>Heather Lees</b> (Commission Operating Officer)	5	4	2
<b>Nigel Ellis</b> (Executive Director)	5	1	-
<b>Michael King</b> (Executive Director)	4	-	-

\*Anne Seex has been away on sick leave since November 2012 and retired in March 2014.

of the communication and relationship between the Department's sponsor teams and the ALBs.

**16** The second review undertaken by the Department's Internal Auditors focused on sponsor team arrangements in the Department. It concluded that the current arrangements could be improved. New sponsor team arrangements came into force in January 2014. Their remit is to work with the ALBs to ensure they had direct access to all areas of the Department including ensuring strong links with the policy teams.

**17** The Commission has reviewed the organisation's Financial Regulations (the principles) and the Executive Team will be reviewing the Financial Instructions (the detailed implementation). These are based on the new Framework Agreement between the Commission and DCLG and Managing Public Money. The Financial Regulations will be agreed with DCLG; and any modification of the Financial Instructions requires the approval of the Accounting Officer. I require each budget holder to provide me with a statement of assurance relating to their full compliance with Financial Regulations and

Instructions. This statement also provides me with an opportunity to formally receive any comments on the operation of the Regulations and Instructions.

### The Audit Committee

**18** The Commission has appointed an Audit Committee. It has an independent Chair and two other members who are the PHSO and another independent person. The Commission Chair also attends in an advisory capacity. The Committee meets at least four times a year and the minutes of its meetings, together with any recommendations, are reported to the Commission. The Committee is responsible for reviewing the process of internal and external audit, and oversight of the effectiveness of the Commission's risk management processes. It comments on the internal audit programme and monitors the progress on implementing audit recommendations.

**19** The Audit Committee meetings are attended by representatives of internal and external audit. The meetings are also attended by me in my capacity as Accounting Officer and by the Finance Manager. The Audit Committee receives an Annual Report from the internal auditors on the effectiveness of internal controls

based on the internal audit programme and comments from the external auditors concerning the findings from their audit of the Commission's Annual Accounts.

**20** The Audit Committee produces an Annual Report on its work which is presented at the Commission meeting when the Annual Accounts are submitted for approval. A summary of the significant business dealt with by the Committee is as follows.

The Committee received two internal audit reports from our internal auditors XDIAS who are satisfied that they can provide the following assurances:

Internal audit report	Assurance level
Key financial controls testing	Moderate
ECHO post implementation review	Substantial

The Committee and I are concerned with XDIAS's slow start in undertaking the new Internal Audit Programme but recognise that in this first full year of the new operational model a number of the audits could not be completed whilst new processes were being implemented. The audits concerned are:

Internal audit report	Assurance level
Security Policy Framework	Moderate
Management Information	Moderate
Risk Management & Governance	Substantial
Quality Framework	Moderate

All these audits were completed in the first quarter of 2014-15.

The moderate assurance level for the Security Policy Framework reflects the work undertaken to improve information security after the 2012-13 Information Security audit that was rated as limited assurance. Much work has been undertaken to remove old paper and electronic files to ensure we complied with best practice and our own policies.

However during 2013-14 the Information Commissioner's Office (ICO) asked me as Senior Information Risk Owner (SIRO), to sign an undertaking in relation to a breach of directive 7 of the Data Protection Act. An investigator had accidentally left casework documents in a public place and consequently a complaint was sent to the ICO. The ICO investigated and in the undertaking I agreed to ensure all instructions and policies were reviewed and all staff would be trained on the new approach. This undertaking has been delivered.

The Committee also monitored the Strategic Risk Register and considered the preparation of the Annual Accounts, including this Governance Statement and submitted comments on these.

**21** Both the Commission's internal auditors in 2013-14 (XDIAS) and its external auditors (National Audit Office) have ready access to the Audit Committee (and its Chair) and the Commission as appropriate.

### Risk assessment & management

**22** The Commission has overall responsibility for monitoring and reviewing risk. It is supported in this function by the Audit Committee. The NAO facilitated a Commission workshop on risk during the year that was also attended by the Head of Internal Audit. The results of the workshop were used to support a new risk register and risk appetite for the Commission. The new risk register and appetite were formally agreed at the May 2014 Commission meeting. Throughout 2013-14 the original register continued to be reviewed and rated. The new register focuses on strategic risks which have been aligned to the four objectives of the Commission. The operational risk registers have also been reviewed and amalgamated into one organisational wide register

that covers all three sites and all parts of the organisation. The Commission Risk Management Strategy defines key roles and responsibilities and how risk is to be managed. In my capacity as Commission Operating Officer, I am responsible to the Commission for ensuring this strategy operates effectively, the Risk Management Strategy will now be revised to recognise the new approach.

**23** The Audit Committee has oversight concerning risk management and advises the Commission of any concerns or suggestions in this regard. The Committee and the Commission receive a quarterly assessment of strategic risks, reports on risk related to major projects, and on any significant failures in operational risk management.

### Assurance of effectiveness

**24** The internal audit programme for the Commission is based, in part, on the strategic risks identified by the Commission and the operational and project risks identified in the risk registers. The annual assurance report from the Head of Internal Audit on the overall effectiveness of internal controls includes risk management. No significant internal control issues have been identified in 2013-14, by this audit process. The Head of Internal Audit stated on the basis of the evidence

obtained during 2013-14 that he was able to provide an overall 'moderate' assurance rating on the adequacy and effectiveness of the LGO's arrangements for governance, risk management and control processes. This audit opinion signifies that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. Of the six audit assignments completed on the 2013-14 plan, four have had moderate assurance ratings. In his opinion, there are no significant weaknesses that fall within the scope of issues that should be reported in the Governance Statement.

**25** I am required to review the effectiveness of the system of internal control. During the year our internal control systems have provided me with the reassurance required.

**26** The Audit Committee is pleased to record that, for the reporting period in question, assurances provided and controls in place are considered adequate to support the needs of the Commission and the Accounting Officer in discharging their reporting obligations and decision making needs. This includes scrutinising the fraud controls in the business and receiving no reports of fraud during 2013-14.

## The Remuneration Committee

**27** The Committee meets at least once a year and is advised by me, in my capacity as Commission Operating Officer, except on matters relating to my personal remuneration. Meetings are also normally attended by the Head of Human Resources. The Committee reports to the Commission at least once year and provides updates after every meeting.

The results of our 2012 staff survey showed staff morale was a significant issue within the organisation. We repeated the staff survey at the end of 2013 and were able to demonstrate a 20-30 percentage point improvement in many key measures. For example, there was a 23% percentage point increase in the number of staff who believe that the operating processes for case handling helped deliver an efficient and effective service. This positive message is as a result of the Transformation Plan.

**28** For the first time this year, the Ombudsman proposed a 360 degree appraisal of her performance to be undertaken by the Chair of the Remuneration Committee. The members of the Committee, Executive Team and Commission were asked for their feedback in relation to

the Ombudsman's objectives. The Ombudsman has used the results of the appraisal to help form her 2014-15 objectives.

## Compliance with the Corporate Governance Code

**29** DCLG categorises the Commission as an Arm's Length Body (ALB). The Cabinet Office Corporate Governance Code states that where part of the business of the Department is conducted with and through an ALB, the Department's Board should ensure that there are robust governance arrangements with the ALB Board. These arrangements should set out the terms of their relationship and explain how they will be put in place to promote high performance and safeguard propriety and regularity.

**30** The Code goes on to state that the Department should ensure it has a written agreement (in accordance with Managing Public Money) with each of its ALBs which defines clearly how the relationship should work. The agreement should take the form of a Framework Document and should reflect the:

- > purpose and responsibilities of the ALB;
- > legal framework (if any) of the ALB; and

- > environment in which it operates.

It should include:

- > reporting and consultation arrangements;
- > mechanisms for providing assurance on performance;
- > respective roles; and
- > obligations.

**31** The Framework Agreement was signed in August 2013 after formal approval from HM Treasury and the Secretary of State.

**32** During October 2013 the Department informed the Commission that the funding letter received in July 2013 that detailed the split of its Grant-in-Aid between revenue and capital was incorrect. The Department's Main Estimates had not included the Commission's agreed capital budget of £66,000. Consequently the Commission had no authority to purchase capital and had to cease all capital projects immediately. This had an immediate effect on the database projects already underway that would have delivered improved efficiency and reporting for the organisation.

As Accounting Officer I requested an urgent audit to be undertaken by the NAO to ensure that the Commission had

complied with all the instructions received from the Department and had appropriately recognised capital expenditure in the balance sheet. This audit looked at the Budget and at the Transformation funding supplied from DCLG. The NAO reported that the error was not caused by any action of the Commission. The Supplementary Estimates corrected the issue for the Department but the delay in receiving authority to recommence spending our budget delayed our ability to spend our funding fully.

We have since recommenced capital spending within agreed budget levels.

**33** In conclusion the Commission has delivered an improved public service whilst reducing its budget, changing its governance structure and being subject to a number of reviews. The staff survey has evidenced that staff are more positive in their appraisal of the Commission's work and also of the new operating system that delivered the improved results. As Accounting Officer I am satisfied that we have complied with all the controls under which we work, both internal and external, whilst making a positive change to our approach to transparency evidenced by the publication of all our decisions online. We have transformed the organisation and I fully support the Chair

of the Commission's stance that we continue to be fit for purpose.

**Heather Lees**  
**Accounting Officer &**  
**Commission Operating**  
**Officer**  
**30 June 2014**

# Independent Auditor's Report



The Independent Auditor's Report to the Commission for Local Administration in England (also known as the Local Government Ombudsman).

I have audited the financial statements of the Commission for Local Administration in England for the year ended 31 March 2014. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## **Respective responsibilities of the Commission, Accounting Officer and Auditor**

As explained more fully in the Statement of Commission's and Accounting Officer's Responsibilities, the Commission and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices 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 read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Opinion on regularity**

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

## **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 net expenditure for the year then ended; and
- > the financial statements have been properly prepared in accordance with the Framework Agreement between the Commission and Department for Communities and Local Government and the Government Financial Reporting Manual.

## **Opinion on other matters**

In my opinion:

- > the part of the Remuneration Report to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- > the information given in the sections entitled "Who we are, what we do" and "Strategic Review & Commission Operating Officer's Report" for the financial year for which the financial statements are prepared 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:

- > adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- > the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- > I have not received all of the information and explanations I require for my audit; or
- > the Governance Statement does not reflect compliance with HM Treasury's guidance.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

**1 July 2014**

# Statement of Comprehensive Net Expenditure

		2014	Restated 2013
	Note	£000	£000
<b>Operating income</b>	2.1	(256)	(251)
<b>Operating expenditure</b>			
Staff costs	3.1	8,562	9,882
Pension loss (gain)		378	301
Accommodation costs	4.1	1,810	1,840
Office expenses	4.2	492	732
Professional costs	4.3	471	422
Depreciation & amortisation	6 & 7	341	419
Meeting & travel costs		167	188
<b>Total operating expenditure</b>		<b>12,221</b>	<b>13,784</b>
<b>Net operating expenditure</b>		<b>11,965</b>	<b>13,533</b>
<b>Net interest costs</b>	5	<b>1,188</b>	<b>1,185</b>
<b>Net expenditure for the year</b>		<b>13,153</b>	<b>14,718</b>
<b>Other comprehensive expenditure</b>			
Pension fund actuarial gain	12g	(4,592)	(826)
<b>Total comprehensive expenditure</b>		<b>8,561</b>	<b>13,892</b>

The notes on pages 41 to 62 form part of these accounts.

All activities are continuing.

The restatements are due to the adoption of IAS 19 and the updated disclosure requirements as disclosed in note 1.20.

The pension fund actuarial gain is not reclassifiable to net operating expenditure.

# Statement of Financial Position

	Note	2014 £000	2013 £000
<b>Assets</b>			
<b>Non current assets</b>			
Plant & equipment	6	278	392
Intangible assets	7	298	355
<b>Total non current assets</b>		<b>576</b>	<b>747</b>
<b>Current assets</b>			
Trade & other receivables	8	250	590
Cash & cash equivalents	9	2,591	1,895
<b>Total current assets</b>		<b>2,841</b>	<b>2,485</b>
<b>Total assets</b>		<b>3,417</b>	<b>3,232</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade & other payables	10	(923)	(822)
Provision for dilapidations	11	-	(504)
<b>Total current liabilities</b>		<b>(923)</b>	<b>(1,326)</b>
<b>Total assets less total current liabilities</b>		<b>2,494</b>	<b>1,906</b>
<b>Non current liabilities</b>			
Provision for dilapidations	11	(455)	(607)
Pension scheme liability	12e	(24,485)	(27,491)
<b>Total non current liabilities</b>		<b>(24,940)</b>	<b>(28,098)</b>
<b>Assets less liabilities</b>		<b>(22,446)</b>	<b>(26,192)</b>
<b>Taxpayers' equity</b>			
Income and Expenditure Reserve		2,039	1,299
Pension Reserve	1.5	(24,485)	(27,491)
<b>Total Taxpayers' Equity</b>		<b>(22,446)</b>	<b>(26,192)</b>

The notes on pages 41 to 62 form part of these accounts.

Heather Lees  
Accounting Officer  
30 June 2014

Dr Jane Martin  
Chair  
30 June 2014

# Statement of Cash Flows

	Note	2014 £000	Restated 2013 £000
<b>Cash flows from operating activities</b>			
<b>Net expenditure for the year</b>		(13,153)	(14,718)
Adjustments for:			
Depreciation & amortisation	6 & 7	341	419
Finance costs/(income)	5	(20)	(22)
(Increase)/decrease in trade & other receivables	8	340	97
Increase/(decrease) in trade & other payables	10	101	(807)
Increase/ (decrease) in provision for dilapidations	11	(656)	-
Non-cash pension charge/(credit) included in net expenditure for the year		1,586	1,508
<b>Net cash outflow from operating activities</b>		<b>(11,461)</b>	<b>(13,523)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant & equipment	6	(88)	-
Purchase of intangible non-current assets	7	(82)	(232)
Interest received	5	20	22
<b>Net cash outflow from investing activities</b>		<b>(150)</b>	<b>(210)</b>
<b>Cash flows from financing activities</b>			
Receipts of Grant-in-Aid financing	2.2	12,307	13,443
<b>Net cash inflow from financing activities</b>		<b>12,307</b>	<b>13,443</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>696</b>	<b>(290)</b>
<b>Cash &amp; cash equivalents at beginning of period</b>		<b>1,895</b>	<b>2,185</b>
<b>Cash &amp; cash equivalents at end of period</b>	9	<b>2,591</b>	<b>1,895</b>

The notes on pages 41 to 62 form part of these accounts.

The restatement is due to the adoption of IAS 19 and the updated disclosure requirements as disclosed in note 1.20.

# Statement of Changes in Taxpayers' Equity

	Note	Restated Income & Expenditure Reserve	Pension Reserve	Total Taxpayers' Equity
		£000	£000	£000
<b>Balance at 31 March 2012</b>		<b>1,066</b>	<b>(26,809)</b>	<b>(25,743)</b>
Grant-in-Aid financing	2.2	13,443	-	13,443
Total comprehensive expenditure for the year		(14,718)	826	(13,892)
Transfers between reserves in respect of pension fund costs		1,508	(1,508)	-
<b>Balance at 31 March 2013</b>		<b>1,299</b>	<b>(27,491)</b>	<b>(26,192)</b>
Grant-in-Aid financing	2.2	12,307	-	12,307
Total comprehensive expenditure for the year		(13,153)	4,592	(8,561)
Transfers between reserves in respect of pension fund costs		1,586	(1,586)	-
<b>Balance at 31 March 2014</b>		<b>2,039</b>	<b>(24,485)</b>	<b>(22,446)</b>

The notes on pages 41 to 62 form part of these accounts.

The restatement is due to the adoption of IAS 19 and the updated disclosure requirements as disclosed in note 1.20.

## Nature and Purpose of Reserves

### Income and Expenditure Reserve

This Reserve represents the cumulative surplus of income over expenditure at the date of the Statement of Financial Position. It represents reserves generally available for the ongoing operations of the Commission, excluding the deficit arising from the Commission's participation in the Local Government Pension Scheme.

### Pension Reserve

This Reserve represents the liability arising from the Commission's participation in the Local Government Pension Scheme, as determined by the scheme actuary.

# Notes to the Financial Statements

## Accounting Policies

### 1.1 Accounting convention

The Financial Statements are prepared under the historical cost convention, modified only in the case of tangible and intangible non current assets which are held at valuation, if materially different from historical cost less accumulated depreciation.

### 1.2 Basis of preparation

The Financial Statements have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards 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 Commission for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Commission are described below. They have been applied consistently in dealing with items that are considered material to the accounts. Under the Localism Act 2011, the handling of housing complaints transferred to the

Housing Ombudsman with effect from 1 April 2013.

### 1.3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Commission's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects both current and future periods; the estimate is revised as appropriate.

#### 1.3.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Commission's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements:

#### > Classification of leases

The Commission has classified all of its leases of land and buildings as operating leases, as it is considered that these leases do not transfer substantially all of the risks and rewards of ownership to the Commission. The primary considerations in this assessment are that the lease terms do not represent the major part of the life of the leased assets and that the present value of lease payments at the inception of the leases do not represent a significant part of the value of the leased assets.

#### > Asset valuations

The Commission has concluded that there is not a material difference between the fair value of its tangible and intangible non current assets and the depreciated historical cost of these assets. As a result of this conclusion, detailed asset valuations have not been carried out.

#### 1.3.2 Key sources of estimation uncertainty

The following are the key assumptions concerning estimation uncertainty at the end of the reporting period, that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## > Valuation of pension scheme assets and liabilities

The valuation of the Commission's defined benefit pension scheme assets and liabilities is based on a range of assumptions covering variables such as investment returns, inflation and pensioner lifespans. The selection of appropriate assumptions represents a significant accounting estimate. Where actual outturns are significantly different to the selected assumptions, the value of scheme assets and liabilities may be materially different. The assumptions are made by management based on advice from a professional actuary and are reviewed annually. In addition, the scheme is subject to a full actuarial review on a triennial basis.

### 1.4 Grant-in-Aid

The Commission receives Grant-in-Aid from DCLG. This type of funding is classified as financing and is recognised directly in the Statement of Changes in Taxpayers' Equity.

Grant-in-Aid is paid monthly according to the requirements of the Commission. The Grant-in-Aid from the Department also includes funding from the DfE. Grant income under Grant-in-Aid financing is accounted for on a cash basis.

### 1.5 Going concern

As a result of the revaluation of pension scheme assets and liabilities during the year, the Commission's Statement of Financial Position at 31 March 2014 shows net liabilities of £22m. This reflects the inclusion of liabilities falling due in future years which, insofar as the Commission is unable to meet them from its other sources of income, would fall, in the last resort, to be met by central government. Under the normal conventions applying to Parliamentary control over income and expenditure, such funding may not be issued in advance of need, but there is no reason to believe that, if required, funding and Parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for these financial statements.

### 1.6 Value added tax

The Commission is registered for VAT and is able to recover input VAT on its purchases. Expenditure is shown net of recoverable VAT. Outstanding recoverable VAT is included within trade and other receivables.

### 1.7 Corporation tax

The Commission is not subject to Corporation Tax.

### 1.8 Pension scheme

The Commission is an admitted body of the Local Government Pension Scheme, administered by the London Pension Fund Authority (LPFA). This is a multi-employer defined benefit final salary scheme, accounted for in accordance with IAS 19 Employee Benefits.

The Commission's share of the scheme's assets and liabilities can be identified.

The valuation of the Commission's defined benefit pension scheme assets and liabilities is based on a range of assumptions covering variables such as investment returns, inflation and pensioner lifespans. Where actual outturns are significantly different to the selected assumptions, the value of scheme assets and liabilities may be materially different. The assumptions are made by management based on advice from a professional actuary and are reviewed annually.

In accordance with IAS 19 (revised) the Commission recognises all actuarial gains or losses in Other Comprehensive Expenditure.

### 1.9 Short term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of

leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

### **1.10 Tangible non current assets - plant and equipment**

Individual items of plant and equipment with a cost of less than £5,000 are expensed in the Statement of Comprehensive Net Expenditure in the year of acquisition, except where they form part of a significant capital project, the total cost of which exceeds £5,000.

Items of plant and equipment and significant capital projects with a cost of greater than £5,000 are initially recognised at cost and depreciated over their useful economic life on a straight line basis. The ranges of useful economic lives of assets currently in use are as follows:

- > Plant and machinery  
3-14 years
- > Furniture and fittings  
4-13 years
- > Information technology  
3-10 years

The useful economic life of assets within the categories above that are permanently installed within the Commission's leasehold properties is limited to the remaining lease term, with these

items being fully written-off over this period.

Depreciation is not provided for assets under construction or payments on account of plant and equipment.

All items of plant and equipment are held at depreciated historical cost, as this is considered to be an appropriate proxy for fair value. All assets held by the Commission have a short useful life or a low individual value (or both). Where there is an indication that individual assets may be impaired, an impairment review is conducted and assets are written down to the lower of their carrying amount and recoverable amount, in accordance with IAS 36 and the HM Treasury Financial Reporting Manual.

### **1.11 Intangible non current assets**

Individual intangible assets with a cost of less than £5,000 are expensed in the Statement of Comprehensive Net Expenditure in the year of acquisition, except where they form part of a significant capital project, the total cost of which exceeds £5,000.

Intangible assets with a cost of greater than £5,000 are initially recognised at cost and amortised over their useful economic life on a straight line basis.

The range of useful economic

lives of assets currently in use is as follows:

- > Software licences  
4-5 years

All intangible assets are held at amortised historical cost, as this is considered to be an appropriate proxy for fair value. The Commission does not believe there to be a material difference between the fair value (as determined by amortised replacement cost) and the amortised historical cost of intangible assets.

Where there is an indication that individual assets may be impaired, an impairment review is conducted and assets are written down to the lower of their carrying amount and recoverable amount, in accordance with IAS 36 and the HM Treasury Financial Reporting Manual.

### **1.12 Revenue**

The Commission derives revenue from the provision of training courses to local authorities and through the sub-letting of surplus property. This income is recognised at fair value of the consideration received or receivable net of VAT.

### **1.13 Leases (Commission as lessee)**

Leases are classified as finance leases when substantially all the risks and rewards of ownership

are transferred to the lessee. All other leases are classified as operating leases. The Commission does not currently have any assets held under finance leases.

Operating lease payments are recognised as an expense on a straight line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight line basis over the lease term.

#### **1.14 Leases (Commission as lessor)**

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. The Commission does not currently act as lessor in any finance leases.

Operating lease receipts are recognised as income on a straight line basis over the lease term. Lease incentives are recognised initially as an asset and subsequently as a reduction in rentals on a straight line basis over the lease term.

#### **1.15 Financial Instruments**

##### **> Financial assets**

Financial assets are recognised when the Commission becomes party to the financial

instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets at fair value through profit and loss; held to maturity investments; available for sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Commission currently only holds cash deposits with current bankers, Lloyds Bank PLC.

##### **> Loans and receivables**

Loans and receivables are non derivative financial assets with fixed or determinable payments which are quoted in an active market. They are measured at amortised cost less any impairment.

The Commission does not have any loans or receivables.

##### **> Financial liabilities**

Financial liabilities are recognised in the Statement of Financial Position when the Commission becomes party to the contractual provisions of the

financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or financial liabilities at amortised cost.

Financial liabilities are initially recognised at fair value.

#### **1.16 Changes in Accounting Policy**

The Commission has considered, in accordance with IAS 8, whether there have been any changes to accounting policies arising from IFRS and the FReM which have an impact on the current or prior period, or may have an effect on future periods. The Commission has also reviewed any new or amended standards issued by IASB but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRS's that are or will be applicable.

The following changes in accounting policy have been applied by the Commission for the current period:

##### **> Revised IAS 19 - Employee benefits**

The standard was revised and is mandatory for all financial years

commencing on or after 1 January 2013. The amendments, affecting the Statement of Comprehensive Net Expenditure and not the Statement of Financial Position, aim to improve the accuracy of accounting in this area.

The adoption of IAS 19 (revised) has resulted in a restatement of prior year balances as noted in 1.20.

The Commission does not believe there are any further changes to accounting policies that may have an impact on future periods.

### 1.17 Provisions

Provisions are liabilities of uncertain amount or timing. A provision is recorded if a sufficiently reliable estimate can be made.

Property dilapidations are treated as provisions and are recognised in terms of the obligations within the Commission's leases on buildings.

### 1.18 Segmental reporting

The Commission considers all operational activities are substantially of the same nature and, therefore segmental reporting is not appropriate.

### 1.19 Contingent liabilities

The Commission does not have any contingent liabilities.

## 1.20 Restatements

The restatement is due to the adoption of the revised IAS 19 and the associated updated disclosure requirements. There is no effect on the Statement of Comprehensive Net Expenditure overall, or the balances on the Statement of Financial Position.

Statement of Comprehensive Net Expenditure	2013 Restated £000	2013 Original £000
Pension loss	301	229
Net interest costs	1,185	615
Pension fund actuarial (gain)/loss	(826)	(184)

## 2.1 Operating Income

	2014 £000	2013 £000
Sublease income from PHSO	206	182
Training & seminar fees	50	69
	<b>256</b>	<b>251</b>

## 2.2 Grant-in-Aid

The Commission received funding from two Government departments in 2013-14. In addition to the core and transformation funding from DCLG, monies were received via DCLG from DfE. The grant is accounted for in the Statement of Changes in Taxpayers' Equity, as discussed in note 1.4.

	2014 £000	2013 £000
DCLG	12,041	12,776
DfE	266	667
<b>Total</b>	<b>12,307</b>	<b>13,443</b>

Represented by:	2014 £000	2013 £000
Revenue	12,137	13,211
Capital	170	232
<b>Total</b>	<b>12,307</b>	<b>13,443</b>

## 3.1 Staff costs

	2014 £000	2014 £000	2014 £000	2013 £000
	Permanently employed staff	Others	Total	Total
Wages & salaries	6,281	18	6,299	6,874
Social security	535	1	536	588
Other pension costs	1,357	13	1,370**	1,414
	8,173	32	8,205	8,876
Temporary staff	-	178	178	595
Redundancy costs	63	-	63	320
	8,236	210	8,446	9,791
Indirect staffing costs*	116	-	116	91
<b>Total</b>	<b>8,352</b>	<b>210</b>	<b>8,562</b>	<b>9,882</b>

Analysis of Commissioners'/Senior Management's salaries is available within the Remuneration Report.

\*This is related to training costs, payroll bureau fees and staff recruitment costs.

\*\* This includes £11,581 (2012-13: £11,342) relating to pension payments to a retired Local Government Ombudsman and a surviving widow. In addition it includes a payment of £55,047 to the pension scheme in respect of the early retirement through ill health of the retiring Ombudsman.

### 3.2 Reporting of compensation scheme packages

	2013-14	2013-14	2013-14	2012-13	2012-13	2012-13
Exit package cost bands £000's	Number of compulsory redundancies	Number of other departures agreed	Total	Number of compulsory redundancies	Number of other departures agreed	Total
<£10	2	-	2	4	7	11
£10-£25	2	-	2	1	-	1
£25-50	1	-	1	-	4	4
£50-£100	-	-	-	-	2	2
£100+	-	-	-	-	-	-
Total number of exit packages	5	-	5	5	13	18
<b>Total cost (£000)</b>	<b>63</b>	<b>-</b>	<b>63</b>	<b>78</b>	<b>242</b>	<b>320</b>

Redundancy and other departure costs have been paid in accordance with statutory requirements and entitlements based on length of service set out in the Commission's standard contract of employment. Exit costs are accounted for in full in the year of departure or, where earlier, the year in which a legal or constructive obligation to pay such costs arises. Costs included lump sum payments to the Local Government Pension Scheme, where applicable.

### 3.3 Staff numbers

	2014	2013
Average number of full time equivalent staff employed:		
Permanently employed	162	178
Other*	1	2
	<b>163</b>	<b>180</b>

\*Other staff includes short-term contractors, but not temporary or agency staff.

Staff numbers exclude the Ombudsmen as they are not members of staff, but their remuneration is included in wages and salaries note 3.1 and also included in the Remuneration Report.

## 4 Operating expenditure

4.1 Accommodation costs		
	2014	2013
	£000	£000
Rent & rates	1,568	1,626
Other expenses	148	111
Utilities	50	59
Repairs & maintenance	32	23
Health & safety	12	21
	<b>1,810</b>	<b>1,840</b>

Rent and rates includes ongoing costs incurred under operating leases at offices in Coventry and York as well as an office in London which was vacated during the year. The cost is net of the release of a provision for dilapidations of £363,257 as shown in note 11.

4.2 Office expenses		
	2014	2013
	£000	£000
Computers & telephone	301	426
Insurance & other office expenses	116	178
Furniture & equipment rental	29	76
Postage & stationery	46	52
	<b>492</b>	<b>732</b>

<b>4.3 Professional costs</b>		
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Legal & litigation	298	223
Internal & external audit	37	63
Professional fees & subscriptions	56	62
Publicity & information	64	57
Research	16	17
Fieldwork associates	-	-
	<b>471</b>	<b>422</b>

External audit remuneration is included within professional fees and totals £15,000 (2012-13: £9,700). No remuneration was paid to the external auditors for non audit work in 2013-14 (2012-13: nil).

Amounts paid under operating leases and included within Accommodation costs and office expenses above, are:

<b>4.4 Amounts paid under operating leases</b>		
	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>
Buildings	872	1,056
Other	19	9
	<b>891</b>	<b>1,065</b>

## **5 Net interest costs**

		<b>2014</b>	<b>Restated</b>
	<b>Note</b>	<b>£000</b>	<b>2013</b>
		<b>£000</b>	<b>£000</b>
Interest on pension fund assets	12i	2,232	2,001
Interest on pension fund liabilities	12h	(3,440)	(3,208)
Bank deposit interest		20	22
		<b>(1,188)</b>	<b>(1,185)</b>

The restatement is due to the adoption of IAS 19 and the updated disclosure requirements as disclosed in note 1.20.

## 6 Plant and Equipment

	Plant & machinery	Furniture & fittings	Information technology	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 01 April 2013	427	1,434	352	2,213
Additions	-	-	88	88
Disposals	(130)	(527)	(75)	(732)
<b>At 31 March 2014</b>	<b>297</b>	<b>907</b>	<b>365</b>	<b>1,569</b>

<b>Depreciation</b>				
At 01 April 2013	327	1,188	306	1,821
Provided during the year	45	123	34	202
Disposals	(130)	(527)	(75)	(732)
<b>At 31 March 2014</b>	<b>242</b>	<b>784</b>	<b>265</b>	<b>1,291</b>

<b>Cost</b>				
At 01 April 2012	427	1,434	352	2,213
Additions	-	-	-	-
Disposals	-	-	-	-
<b>At 31 March 2013</b>	<b>427</b>	<b>1,434</b>	<b>352</b>	<b>2,213</b>

<b>Depreciation</b>				
At 01 April 2012	256	973	263	1,492
Provided during the year	71	215	43	329
Disposals	-	-	-	-
<b>At 31 March 2013</b>	<b>327</b>	<b>1,188</b>	<b>306</b>	<b>1,821</b>

<b>Net Book Value</b>				
<b>At 1 April 2013</b>	<b>100</b>	<b>246</b>	<b>46</b>	<b>392</b>
<b>At 31 March 2014</b>	<b>55</b>	<b>123</b>	<b>100</b>	<b>278</b>

No amounts are included above in respect of assets held under finance leases and all amounts relate to externally generated assets. All assets are owned by the Commission.

## 7 Intangible assets

	<b>Total £000</b>
<b>Cost</b>	
At 01 April 2013	1,118
Additions	82
Disposals	(189)
<b>Cost at 31 March 2014</b>	<b>1,011</b>

<b>Amortisation</b>	
At 01 April 2013	763
Provided during the year	139
Disposals	(189)
<b>At 31 March 2014</b>	<b>713</b>

<b>Cost</b>	
At 01 April 2012	911
Additions	232
Disposals	(25)
<b>Cost at 31 March 2013</b>	<b>1,118</b>

<b>Amortisation</b>	
At 01 April 2012	698
Provided during the year	90
Disposals	(25)
<b>At 31 March 2013</b>	<b>763</b>

<b>Net Book Value</b>	
<b>At 31 March 2013</b>	<b>355</b>
<b>At 31 March 2014</b>	<b>298</b>

All intangible assets held by the Commission are externally developed software or software licenses. No amounts are included above in respect of assets held under finance leases and all amounts relate to externally generated intangible assets or software licenses.

## 8 Trade and other receivables

	<b>2014 £000</b>	<b>2013 £000</b>
Trade receivables	63	17
Deposits & advances	32	39
VAT receivable	34	120
Prepayments	121	414
	<b>250</b>	<b>590</b>
<b>Represented by:</b>		
Central Government	34	120
Local Authority	43	6
External bodies	173	464
	<b>250</b>	<b>590</b>

## 9 Cash and cash equivalents

	<b>2014 £000</b>	<b>2013 £000</b>
Cash at bank and in hand	2,591	1,895

Cash and cash equivalents are represented by balances held at commercial banks and minor petty cash.

## 10 Trade and other payables

Current Trade and other payables		
	2014	2013
	£000	£000
Trade payables	161	115
Bank overdraft	-	65
Accruals & deferred income	762	642
	<b>923</b>	<b>822</b>
Represented by:		
Central Government	193	-
Local Authority	16	1
External bodies	714	821
	<b>923</b>	<b>822</b>

## 11 Provision for dilapidations

	2014	2013
	£000	£000
Balance at 01 April	1,111	1,111
Utilised	(293)	-
Provided in year	-	-
Written back	(363)	-
	<b>455</b>	<b>1,111</b>

	2014	2013
	£000	£000
Balance at 01 April		
Current	-	504
Non current	455	607
	<b>455</b>	<b>1,111</b>

The Commission has reviewed potential liabilities associated with its estates portfolio. In particular the Commission wishes to note and prudentially record the impact of potential costs associated with obligations to make good, individually, across all premises should such premises be exited. The Commission has been provided with values associated with provisions by its premises advisors.

The non current liability of £455k is for the dilapidations of the Coventry (valuation dated 18 December 2013) and York (valuation dated 28 January 2014) premises.

## 12 Pension scheme

12.1 The Local Government Ombudsman (LGO) and staff belong to the Local Government Pension Scheme which is a defined benefit scheme, administered by the London Pensions Fund Authority (LPFA). No enhanced terms apply to either Local Commissioners or senior staff. The scheme is a multi employer scheme but the Commission's share of assets and liabilities can be identified.

12.2 The Commission paid employer's superannuation contributions to this scheme at the rate of 21.9% of pensionable remuneration on behalf of both Local Commissioners and staff to a total of £1,366,539 during 2013-14 (£1,402,630 during 2012-13). In addition, payments in respect of curtailments and settlements arising from redundancies totalling £87,616 (2012-13: £544,165) were made in the year. The cost of these curtailments and settlements is reflected in the 2013-14 financial statements. The employer's and employee's contribution rate is fixed following actuarial assessments every three years. The assessment which reviewed the position of the Fund at 31 March 2010, resulted in the employers' rate of 21.9% (unchanged from 1 April 2008) effective from 1 April 2011 for three years.

The most recent assessment

reviewed the position of the fund at 31 March 2013 and resulted in the employers' rate of 21.9% remaining unchanged. This rate will be effective from 1 April 2014 for three years.

12.3 The pension arrangements for the Local Commissioners and Commission staff are subject to the agreement of the Secretary of State for Communities and Local Government. He has agreed that the arrangements should be part of the Local Government Pension Scheme. Accordingly, this scheme forms the basis of the current terms and conditions of Local Commissioners and Commission staff. Any changes to the scheme to alleviate the deficit (refer to subsequent tables for details) such as by increasing the pension age or increasing employee contributions, would be a matter for national negotiations and Government action. As a relatively small employer the Commission is not in a position to exert significant influence on this matter. The Commission's Fund is currently managed by the LPFA; the relevant Commission officers take up opportunities provided by LPFA for consultation and scrutiny; the Accounting Officer has considered the possibility of transferring the Commission's funds to a different authority but, at present, she considers LPFA's asset management to be

competitive.

12.4 On 28 June 1993 by virtue of Statutory Instrument 1993 No 1367, Local Ombudsmen became eligible to join the Local Government Scheme and their previous individual superannuation arrangements were closed by transfer of service to the Scheme operated by the LPFA. These transfer arrangements did not provide for Local Ombudsmen who had already retired. The pensions of one such Local Ombudsman, and a surviving widow, remain the responsibility of the Commission and are met through the Statement of Comprehensive Net Expenditure, the total payment during 2013-14 amounting to £11,581 (2012-13: £11,342).

12.5 IAS 19 was revised for accounting periods commencing on or after 1 January 2013 and so the disclosures below have been prepared in accordance with the updated requirements. The revised standard has no effect on the Statement of Financial Position and on the disclosed net liability but it does affect the presentation of interest and actuarial charges in the Statement of Comprehensive Net Expenditure. The prior year figures have been restated to meet the new requirements.

Disclosures as required by IAS 19 are below:

The tables and notes below were provided by the LPFA actuaries and the Commission are content that they fairly present the most appropriate assumptions to be applied and the estimated assets and liabilities and the actuarial gain for 2013-14 for the scheme.

<b>a. Financial assumptions</b>			
<b>Year ended:</b>	<b>31 March 2014</b>	<b>31 March 2013</b>	
	<b>% pa</b>	<b>% pa</b>	
Inflation/pension increase (RPI)	3.6	3.4	
Inflation/pension increase (CPI)	2.8	2.6	
Salary increase rate	4.6	4.3	
Pension increases	2.8	2.6	
Discount rate	4.4	4.5	

<b>b. Demographic assumptions</b>			
<b>Life expectancy in years from age 65</b>	<b>2014</b>	<b>2013</b>	
Retiring today - males	22.5	21.7	
Retiring today - females	25.4	24.1	
Retiring in 20 years - males	24.8	23.7	
Retiring in 20 years - females	27.6	25.9	

The actuary has adopted demographic assumptions which are consistent with those used for the funding valuation as at 31 March 2013. The post retirement mortality is based on Club Vita mortality analysis which has been projected using the CMI 2012 model and allowing for a minimum rate of improvement of 1.5%.

The actuary also made the following assumptions:

- > that members will exchange half of their commutable pension for cash at retirement;
- > that active members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age; and
- > that no members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

The actuary is not required to disclose an expected return assumption for the year to 31 March 2015.

### c. Estimated asset allocation

Year ended	Restated	
	31 March 2014	31 March 2013
Equities	53	73
LDI/Cashflow matching	6	n/a
Target return funds	30	10
Alternative assets	n/a	15
Infrastructure	4	n/a
Commodities	1	n/a
Property	3	n/a
Cash	3	2
<b>Total</b>	<b>100</b>	<b>100</b>

### d. Fair value of employer assets

	Restated	
	31 March 2014	31 March 2013
	£000pa	£000pa
Equities	27,294	36,268
LDI/Cashflow matching	3,090	n/a
Target return funds	15,450	4,968
Alternative assets	n/a	7,452
Infrastructure	2,060	n/a
Commodities	515	n/a
Property	1,545	n/a
Cash	1,545	994
<b>Total</b>	<b>51,499</b>	<b>49,682</b>

Alternative assets include global property, commodities, infrastructure assets and opportunity assets.

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2014 is estimated to be 4%. This is based on the estimated Fund value used at the previous accounting date and the estimated Fund value used at this accounting date. The actual return on Fund assets over the period may be different.

Based on the above the Commission's share of the assets of the Fund is approximately 1%.

#### e. Amounts recognised in the Statement of Financial Position

Year ended	Note	31 March 2014 £000	31 March 2013 £000
Fair value of employer assets	12i	51,499	49,682
Present value of funded obligation	12h	(75,984)	(77,173)
<b>Net (liability)</b>		<b>(24,485)</b>	<b>(27,491)</b>

#### f. Amounts charged in the Statement of Comprehensive Net Expenditure

Year ended	31 March 2014 £000	Restated 31 March 2013 £000
Service cost	1,668	2,187
Net interest on the defined liability (asset)	1,208	1,207
Administration expenses	75	72
<b>Total</b>	<b>2,951</b>	<b>3,466</b>

#### g. Remeasurements and other comprehensive income

Year ended	Note	31 March 2014 £000	31 March 2013 £000
Return on plan assets in excess of interest	12i	(457)	4,263
Other actuarial gains/(losses) on assets	12i	292	-
Changes in financial assumptions	12h	(3,582)	(3,437)
Changes in demographic assumptions	12h	(208)	-
Experience gain/(loss) on defined benefit obligation	12h	8,547	-
<b>Remeasurement</b>		<b>4,592</b>	<b>826</b>

#### h. Reconciliation of defined benefit obligation

Year ended	31 March 2014	Restated 31 March 2013
	£000	£000
<b>Opening defined benefit obligation</b>	<b>77,173</b>	<b>70,308</b>
Current service cost	1,605	1,586
Interest cost	3,440	3,208
Change in financial assumptions	3,582	3,437
Change in demographic assumptions	208	-
Experience loss/(gain) on defined benefit obligation	(8,547)	-
Estimated benefits paid	(1,965)	(2,417)
Past service costs, including curtailments	63	601
Contributions by members	425	450
<b>Closing defined benefit obligation</b>	<b>75,984</b>	<b>77,173</b>

#### i. Reconciliation of fair value of employer assets

Year ended	31 March 2014	Restated 31 March 2013
	£000	£000
<b>Opening fair value of employer assets</b>	<b>49,682</b>	<b>43,499</b>
Interest on assets	2,232	2,001
Return on assets less interest	(457)	4,263
Other actuarial gains/(losses)	292	-
Administration expenses	(75)	(72)
Contributions by the employer	1,365	1,958
Contributions by members	425	450
Estimated benefits paid	(1,965)	(2,417)
<b>Closing fair value of employer assets</b>	<b>51,499</b>	<b>49,682</b>

## j. Sensitivity analysis

	£000	£000	£000
Adjustment to discount rate	-0.1%	0.0%	+0.1%
Present value of defined benefit obligation	77,306	75,984	74,686
Projected service cost	1,602	1,568	1,535
Adjustment to long term salary increase	-0.1%	0.0%	+0.1%
Present value of total obligation	75,791	75,984	76,178
Projected service cost	1,568	1,568	1,568
Adjustment to pension increases and deferred revaluation	-0.1%	0.0%	+0.1%
Present value of total obligation	74,857	75,984	77,132
Projected service cost	1,534	1,568	1,603
Adjustment to mortality age rating assumption	-1 year	None	+1 year
Present value of defined benefit obligation	78,401	75,984	73,567
Projected service cost	1,615	1,568	1,520

The valuation of pension fund liabilities is based on a range of actuarial assumptions and may be highly sensitive to changes in these assumptions, in particular to changes in the discount rate, long term salary increases, pension increases and mortality assumptions. The table above illustrates the potential impact of small changes in these assumptions.

#### k. Projected pension expense for the year to 31 March 2015

<b>Projections for the year to 31 March 2015</b>	<b>Year to 31 March 2015</b>
	<b>£000</b>
Service cost	1,568
Net interest on the defined liability (asset)	1,038
Administration expenses	77
<b>Total</b>	<b>2,683</b>
<b>Employer contributions</b>	<b>1,814</b>

The LPFA prepares its own scheme statements which are available to download from:

<https://www.lpfa.org.uk/What-we-publish.aspx>

Estimated employer's contributions for 2014-15 are £1,814,000 (£1,429,000: 2013-14).

### 13 Financial Instruments and related risks

In accordance with Treasury guidance and IFRS7 the Commission's accounts must contain disclosures of financial instruments (financial assets and liabilities).

The Commission's principal financial instrument is cash to provide working capital for the organisation's operations.

Other financial instruments are receivables and payables arising from operations.

The main risks arising from the organisation's financial instruments are as follows:

#### Credit Risk

The Commission is exposed to credit risk arising from its Trade and Other Receivables, whereby there is a risk that counterparties will not settle outstanding amounts as they fall due. Of the total financial assets included within Trade and Other Receivables, £34,530 is due from HMRC (2013: £119,916). A further amount of £32,439 is due from current employees of the Commission and is to be collected through regular payroll deductions (2013: £39,232). The credit risk arising from these balances is not considered to be significant.

#### Market Risk

The Commission's deposits are held at variable interest rates which give rise to the risk that returns may vary in line with market interest rates. The potential effect of a 1% change in interest rates is shown below. The nature of the Commission's deposit accounts does not expose it to fluctuations in capital values, with the exception of credit risk as described above.

	2014	2013
	£000	£000
Value of interest yielding deposits at 31 March	2,591	1,895
Income effect of a 1% increase in interest rates	26	19
Income effect of a 1% decrease in interest rates	(26)	(19)

#### Liquidity Risk

The Commission minimises its exposure to this type of risk through the use of cashflow forecasts to enable it to manage its resources and ensure adequate liquidity. It maintains its surplus funds in bank deposit accounts which provide for instant access. These deposits totalled £2,591,093 (£1,894,774: 2012-13). As a result of these policies, the Commission does not feel that it is exposed to significant liquidity risk arising from its financial instruments.

#### 13.1 Fair Value

Due to the nature of financial assets and liabilities held by the Commission, there is not considered to be any significant difference between the carrying amount and the fair value of any of the financial instruments held.

## 14 Operating Lease Commitments

### 14.1 Total future minimum lease payments under non-cancellable operating leases

	31 March 2014 £000	31 March 2013 £000
<b>Buildings - amounts payable:</b>		
Not later than one year	812	1,056
Later than one year and not later than five years	290	1,199
Later than five years	-	-
<b>Total</b>	<b>1,102</b>	<b>2,255</b>
<b>Other - amounts payable:</b>		
Not later than one year	14	9
Later than one year and not later than five years	23	9
Later than five years	-	-
<b>Total</b>	<b>37</b>	<b>18</b>

### 14.2 Total future minimum sublease payments expected to be received under non-cancellable subleases

	31 March 2014 £000	31 March 2013 £000
<b>Amounts receivable:</b>		
Not later than one year	-	91
Later than one year and not later than five years (note 14.3)	-	-
Later than five years	-	-
<b>Total</b>	<b>-</b>	<b>91</b>

### 14.3 Description of significant lease arrangements

The Commission occupies two premises under operating leases, situated in Coventry and York and an additional premises in London under a Memorandum of Terms of Occupation (MOTO).

The leases for the Coventry and York sites both expire in 2015 with no break options.

The MOTO for the London office has a break option in 2015.

## 15 Capital Commitments

The Commission was contractually committed to expenditure on non-current assets totalling £nil at 31 March 2014 (2013: £28,000).

## 16 Related Party Transactions

The Commission for Local Administration is an independent body established under Part III of the Local Government Act 1974. The Commission is principally funded by way of Grant-in-Aid from DCLG and also receives funding (via the DCLG) from the DfE. DCLG is regarded as a related party, as is DfE. During the year, the Commission received Grant-in-Aid from DCLG. Note 2.2 discloses the amounts.

As part of our endeavour to share resources where this is

cost effective, we collaborate on a number of office services and sublet some of our London office space to the PHSO. The financial statements include a sub lease income of £205,571 (£182,277: 2012-13) including a contribution for dilapidations of £78,643 for the London office which was vacated during the year.

No Minister, Commission Member, key manager or other related parties has undertaken any material transactions with the Commission during the year.

Under IAS 24, the Local Government Pension Scheme is defined as a related party to the Commission. For details of transactions with this body, refer to note 12.

## **17 Losses and Special Payments**

During the year the Commission made a special payment of £55,047 to the pension fund for the early retirement (on ill health grounds) of Local Government Ombudsman, Anne Seex.

## **18 Events Occurring since the Reporting Date**

On 17 April 2014, an employee was granted early retirement on ill health grounds, and this will result in an increase in the pension liability of £387,000 over and above the amount already included in the liability at 31 March 2014. This is a long

term liability and will be met by normal monthly contributions when these contributions are next reassessed as part of the triennial valuation due on 31 March 2016.

The Accounting Officer authorised these Financial Statements for issue on the date certified by the Comptroller and Auditor General.

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