

Local Government
OMBUDSMAN

Commission for
Local Administration in England



**Annual Report & Accounts
2014-15**

**Quality
Counts**

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Commission for
Local Administration
in England

Local Government Ombudsman

Annual Report & Accounts
2014-15

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Foreword

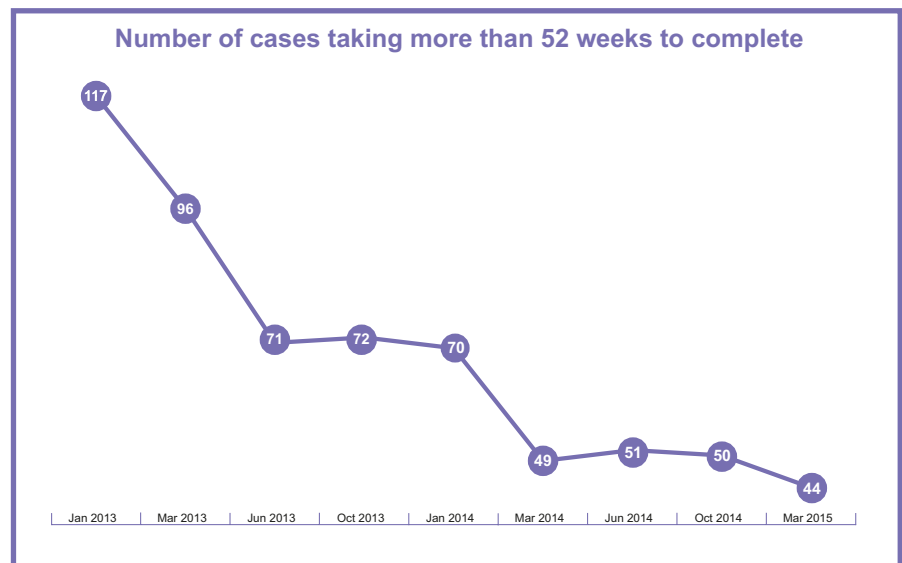


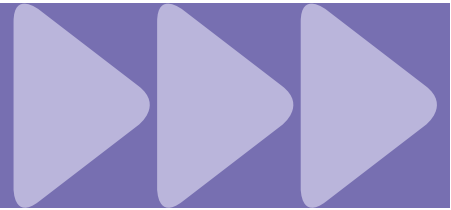
I am pleased to present the Annual Report and Accounts for the Commission for Local Administration in England for the year ended 31 March 2015.

Local Government Ombudsman (LGO) has had a very successful year. Following significant transformation of the organisation, the changes we have introduced have resulted in the organisation exceeding its performance targets and improving quality standards. As the following report shows, we have improved our performance on the previous year and completed 83% of cases within 13 weeks, 94% of cases within 26 weeks and 99% of cases within 52 weeks. Following the change in our jurisdiction we no longer handle complaints relating to local authority social landlord responsibilities, but despite

this we continue to handle the same overall volume of cases. Over 11,000 cases were considered by the assessment team and 4,780 cases passed to the investigation team. We continue to listen to feedback from those who use our service and during the year continued to work with our Advisory Forum as well as establishing a new Councillors Forum. We have emphasised learning from our social care work and in 2014 issued the first LGO sector-wide reviews of complaints about social care and local government respectively.

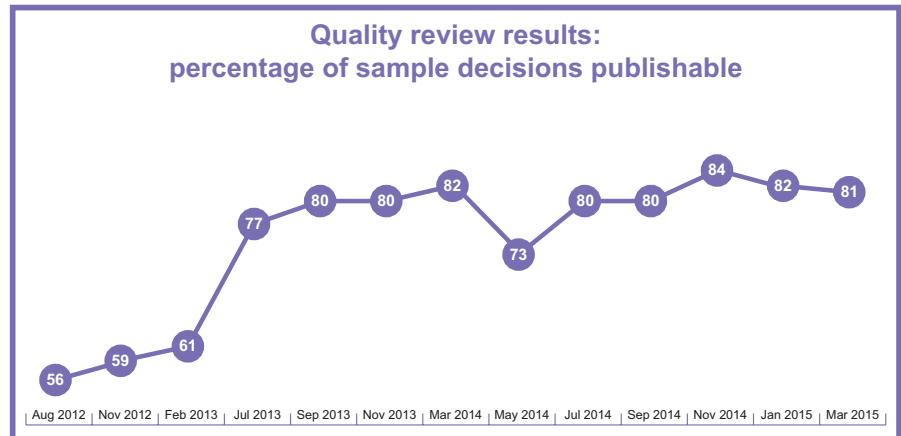
The success of 2014-15 flows from a great deal of hard work over a number of years at a time of a reducing operating budget from £16.8 million in 2010-11 to £11.2 million in 2014-15 and a reduction in permanent staff from 228 to 158 in the same period. Trend data indicates how far we have come as an organisation. We have reduced the number of investigations taking more than 52 weeks from almost 120 in January 2013 to just over 40 in March 2015.





Having taken the decision to publish our decision statements online, we have improved our performance against our quality target from 56% in August 2012 to consistently 80% and over from July 2014.

In a year when local government continues to make headlines, at LGO we have also been focusing on the external environment and asking questions of ourselves so we remain relevant and resilient in a changing world. Driven by a desire to simplify the complex complaints maze which the public have to navigate when they have concerns about unfair treatment or service failure, we have been leading the debate with colleagues at the Parliamentary and Health Service Ombudsman (PHSO) as to what a future service should look like. We have shared the characteristics of an optimum ombudsman service and both aligned our business plans to this vision. In May 2014 we established a joint convergence committee chaired by Sir Jon Shortridge, who also chairs both organisations' Audit Committees, to work on practical steps to harmonise our work around health and social care and offer a better



service to the public. This has culminated in creating a formal joint working team with investigators from both organisations under a manager in the LGO London office. Following a wide ranging review of the public sector ombudsman landscape, in the final week of the last Parliament the Cabinet Office published Robert Gordon's report 'Better to serve the public' with a consultation on a single public sector ombudsman. We are pleased that a draft Bill proposing reform was listed by the new Government in the Queen's Speech.

All of this activity has one core purpose. To ensure that the public continue to have a recognisable, cost-effective, accessible, independent ombudsman who will

continue to hold to account local authorities - and those who provide services on their behalf - in the public interest; an ombudsman who can continue to conduct impartial and rigorous investigations free of charge to the person affected; effect remedial action in a timely way; and secure recognition of distress caused to citizens who are treated unfairly, or otherwise fail to receive services to which they are entitled.

At the end of the 2014-15 business year, local authorities face challenging questions about the quality of service provision, capacity to properly resource support for vulnerable and needy communities, and to protect children. At the same time opportunities are opening up for councils to take the lead in integrating health and social care, improving safeguarding,

Foreword



and ensuring better care for children and adults.

In this context, at the end of a period of significant financial pressures for local government, the anticipated increase in complaints has not arisen. But as the figures show later in this report, the trend of increasing volumes of complaints about education and children's services and adult social care continues.

Complaint volumes may hide a problem with access. We know that we will only continue to be seen as relevant if people have a clear, accessible route to redress. The pace of reform in public services, especially at the local level, has understandably left many confused about where to turn when those services let them down. Greater co-operation between different organisations, such as councils and health bodies, will lead to integrated service delivery but runs the risk of blurring the lines of accountability and making it more difficult to achieve remedial action. We want to make sure this is not detrimental to the public. This year we have jointly produced the

'My Expectations' service standards document with PHSO and Healthwatch England, which has been adopted by the health and social care regulator, to try to ensure a clear and simple route to remedy.

As we begin to work with the new Government, the relevance and resilience of LGO will largely depend on decisions to be taken by Parliament. The triennial review of our legislation in 2015 provides an opportunity for us to highlight changes needed to implement Robert Gordon's outstanding recommendations to put our governance arrangements on a better statutory footing. We will also recommend statutory requirements on all local service providers to improve complaint handling, learn from complaints and signpost members of the public to an ombudsman. We will impress on new ministers the need to continue to properly resource LGO so we can provide a high quality service free of charge to the citizen, perhaps through a different funding model. We will use any opportunities presented by reforming legislation to strengthen our impact

on the system as a whole in partnership with other ombudsmen, regulators and auditors.

I want to thank all LGO staff and the Executive Team for their continued hard work and ongoing dedication to the LGO's dual purposes of remedying injustice and improving local public services. I am also grateful for the ongoing support of all members of the Commission in tackling the hard decisions that we have to take as an organisation.

Dr Jane Martin

Chair, Commission for Local Administration in England
Local Government Ombudsman

Who we are, what we do



“ I was very impressed with the investigator allocated to my complaint. He phoned me to obtain my input and listened well. He was always courteous both on the phone and in email correspondence.”

Feedback from LGO customer

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 its 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 does 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 from 1 May 2015 is led by a Chief Executive. The Executive Team is 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



Carol Brady

Advisory Member



David Liggins

Advisory Member
and Independent
Chair of the
Remuneration
Committee



**Dame Julie Mellor
DBE**

Ex officio member
and Parliamentary
& Health Service
Ombudsman



Sir Jon Shortridge

Advisory Member
and Independent
Chair of the Audit
Committee

The Executive Team



Michael King

Chief Executive
(from 1 May 2015)



Nigel Ellis

Director of
Operations



Heather Lees

Commission
Operating Officer
(until 8 May 2015)



Our Strategic Objectives

During 2014-15 we pursued four strategic objectives:

- ▶ SO1 To provide a complaints handling service direct to the public which is accessible, responsive, consistent and cost effective.
- ▶ SO2 To ensure sound decisions and appropriate redress based on impartial, rigorous and proportionate investigations.
- ▶ SO3 To draw on our knowledge and insight from individual complaints, to identify best practice and issues of wider public benefit to bodies in jurisdiction and external stakeholders; to promote good public administration and service improvement and to influence public policy.
- ▶ SO4 To ensure proper stewardship of public funds through the proper use of resources and effective public accountability.

This annual report reports against the four strategic objectives above. However following a public consultation we have refreshed them in the new three year Corporate Strategy 2015-18 as set out below.



Our performance

Key successes this year

Published the first ever sector wide reviews of complaints about local government and social care

Every customer invited to share feedback on our service

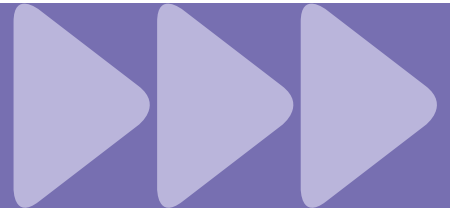
An independent External Reviewer appointed to scrutinise the way we consider complaints about our service

Published the outcome of over 11,000 complaints: freely available on our website

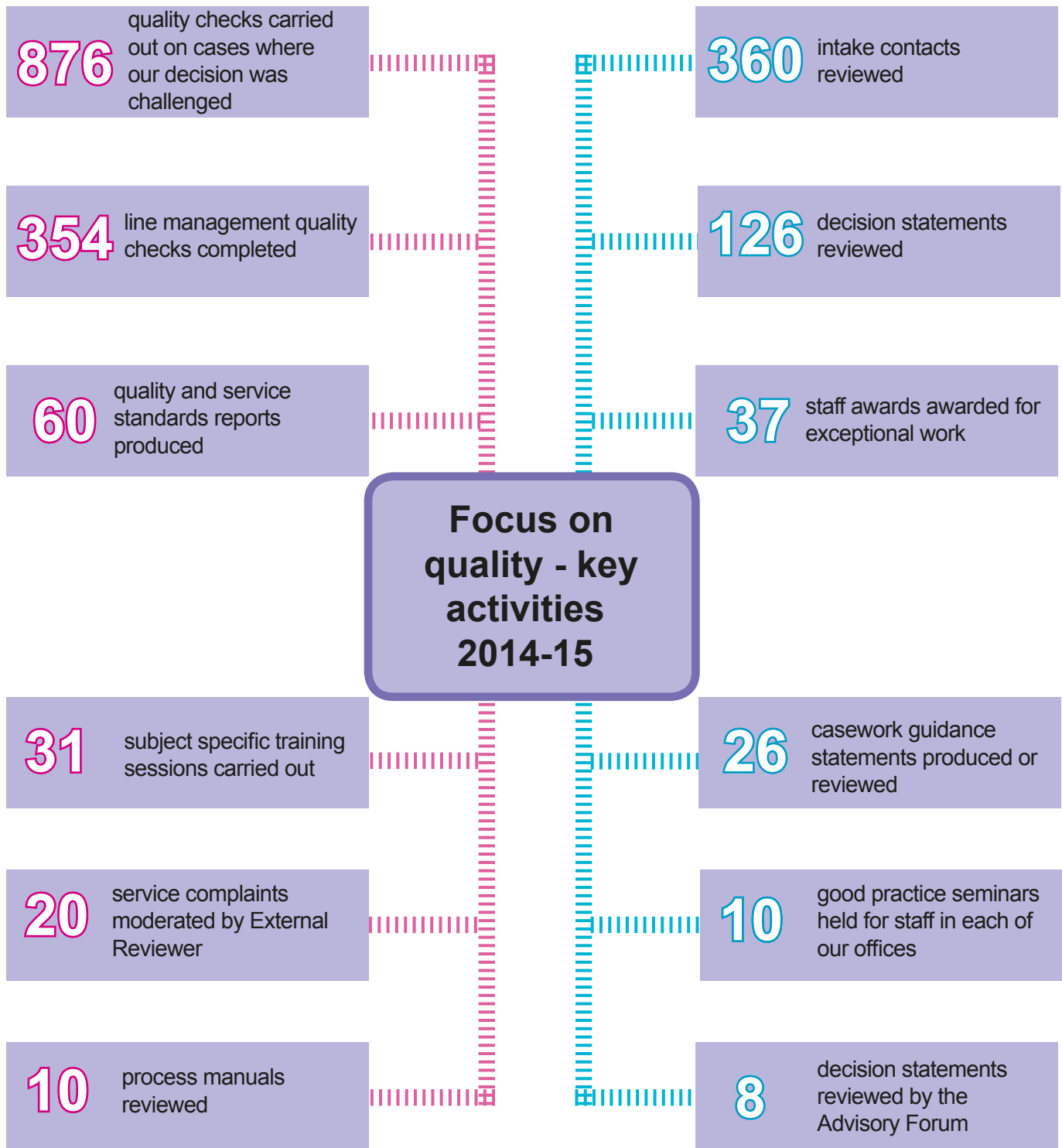
All targets for completing investigations met or exceeded

Embedding quality in our work

This year our focus on quality standards has increased significantly. The drive to maintain an excellent service for all those who use our service whilst maintaining high levels of productivity has underscored everything we do. Efforts to improve quality go hand in hand with supporting performance and can take many guises - from direct quality monitoring to professional practice seminars and training sessions.



In 2014-15 we undertook the following work in relation to our focus on quality.



Our performance



We have also carried out a survey of all staff to gather their views on the quality framework we are using and how it impacts on their day to day work. Another staff survey will help us refine our programme of good practice seminars to ensure they meet the needs of both the business and our front-line staff.

What have we learnt

The decision statement reviews carried out by managers have helped us understand what we think good looks like and to communicate that with staff. Our next step is to carry out an in-depth review of our statement of reasons manual to ensure it reflects the learning.

The quality checking that managers carry out has helped us identify areas where improvement is needed, both for individuals and by staff as a whole. The next step is to start to identify excellent practice examples and to see how we can learn from those. We already champion exceptional contributions by staff but we now need to move towards identifying and championing excellent working practices.

In the ever changing world of local government and social care, we must make sure our staff stay up to date on the law and practice issues that affect how we look at and consider complaints. We conducted 31 training sessions for staff on subjects such as planning and adult social care. We have also issued 26 guidance statements to staff to support them in the work they do. Our programme of good practice seminars aims to help improve consistency across the organisation and has covered topics from our review of our guidance on jurisdiction to information about how service complaints are reviewed.

Our quality and standards system is fundamental to how we report on how we are doing. Senior managers are responsible for preparing the reports and subsequent recommendations and these are then discussed by the management group, before being reported to the Commission. By making quality reporting an integral part of operational managers' duties, rather than as an add-on, our aim is to embed quality in to everything we do.

“ My experience was very good. I like the way that the advisor was totally neutral and highly professional throughout. I was also glad for realistic updates and communication. ”

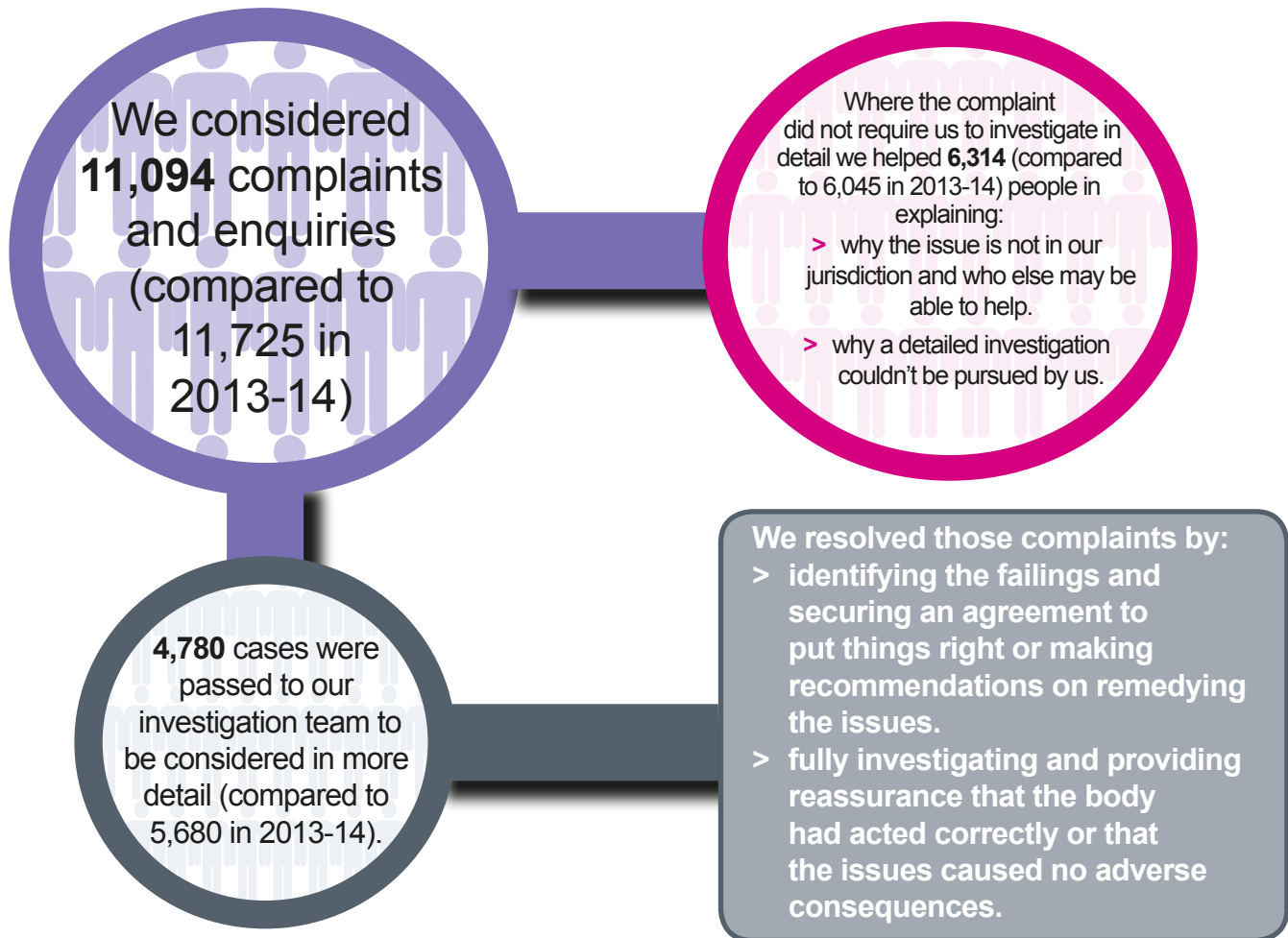
*Feedback from
LGO customer*



Strategic Objective 1:

Accessible complaints handling service

In 2014-15 we registered 20,286 new complaints and enquiries, a comparable number to the previous financial year. Increasingly our intake team are able to quickly resolve many of those queries at first telephone contact by responding to the caller's questions and concerns, providing advice about our role or how the complaints process works. However 11,094 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.



A cost effective complaints handling service

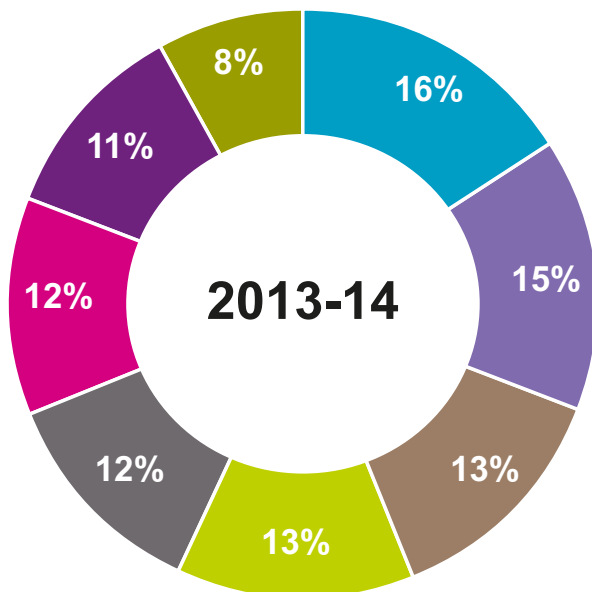
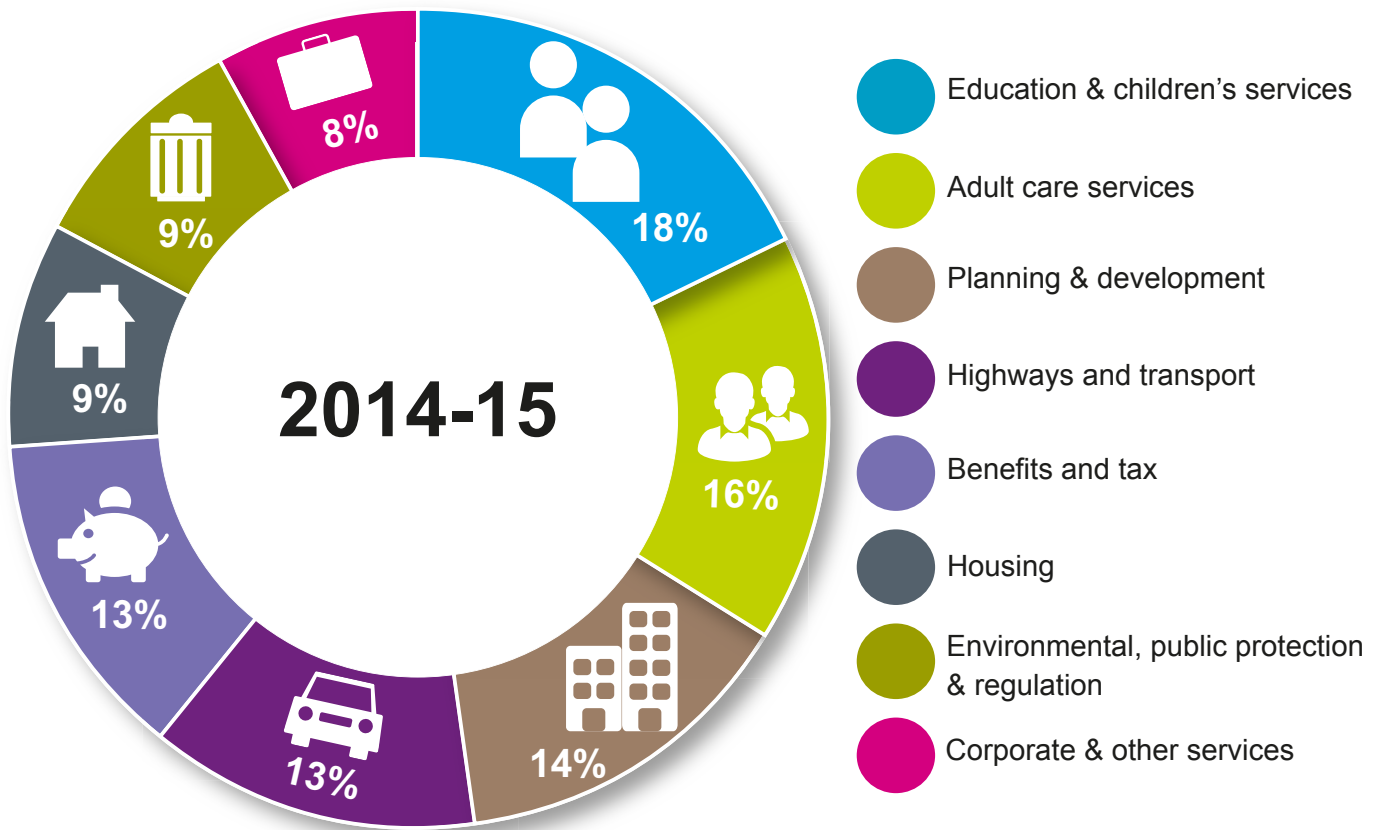
In 2011-12, the last full year before LGO's new business model was introduced, we made 101.3 decisions per full-time equivalent investigator. In 2014-15, we made 131.4 decisions per full-time equivalent investigator. This represents a productivity increase of 29.7%, delivering further reductions in our cost per case, which is already one of the lowest in the sector.



Strategic Objective 1:

Accessible complaints handling service

The complaints that we receive cover the full range of local services that people use. Whilst complaint volumes remain broadly similar to previous years, the number of complaints about adult social care and education and children's services, continue to grow as a proportion of our work. The charts below show the proportion of complaints we received in the different areas of our work and how these compared to the previous year.





Strategic Objective 1:

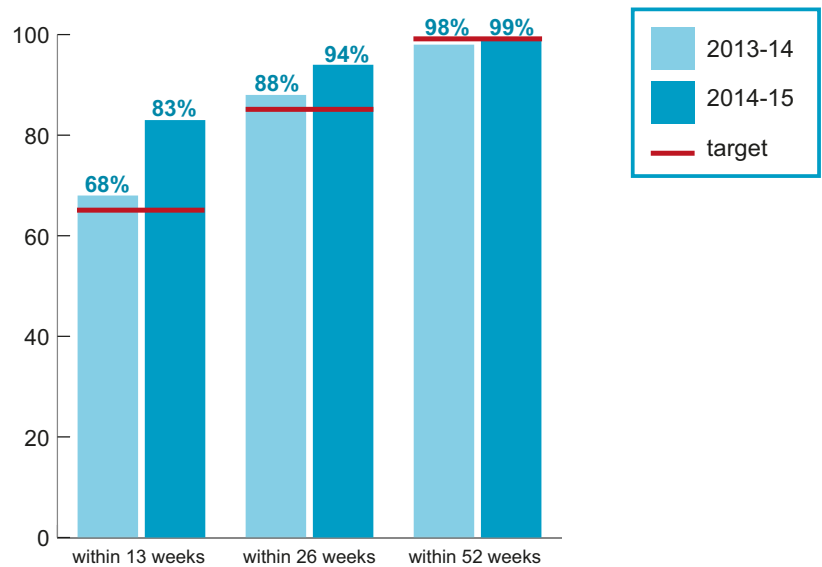
Accessible complaints handling service

For many people that bring their concerns to us, the LGO is the final stage in what has already been a long and exhausting process. Our own research has shown that on average our customers have spent nine months trying to resolve their complaint with the council or care provider before they approach LGO. We therefore set ourselves stretching targets for reducing the time we take to complete our investigations. Over the last 12 months we have continued to remedy injustice more swiftly and have exceeded each of our time targets.

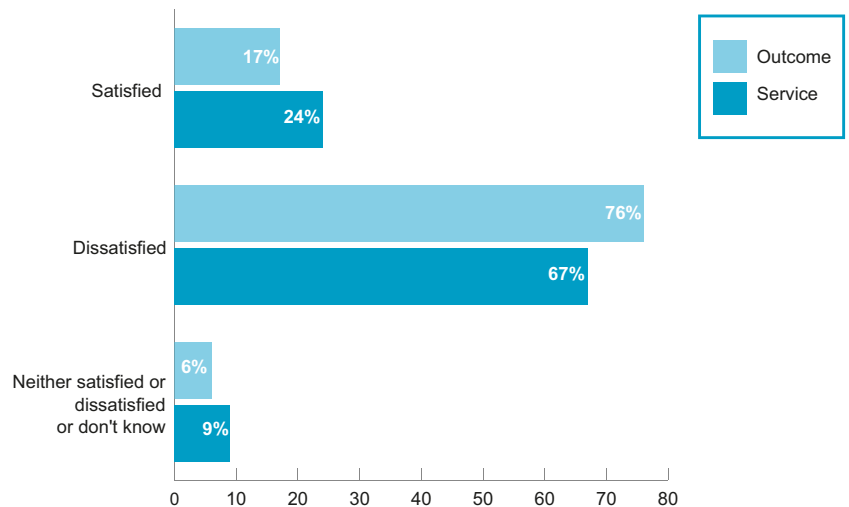
Whilst it is important that we complete our investigations swiftly we also want to ensure that we provide a service that people are happy with. This year we have started to offer every customer an opportunity to provide us with feedback on their experiences at the end of our investigation. We have implemented a system that ensures people can provide feedback in an open and honest way and have already gathered views from over 2,000 of our customers. Feedback from our customers is reported quarterly to our leadership team and shared with all our staff.

In common with other ombudsmen schemes, this data shows that people's views of our service are heavily influenced by the outcome of their complaint. Therefore we aim for more customers to be satisfied with the service they receive than those solely satisfied with the outcome.

Time taken to deal with complaints



Satisfaction with outcome/satisfaction with overall service

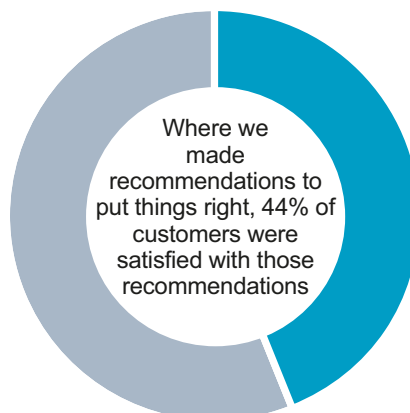
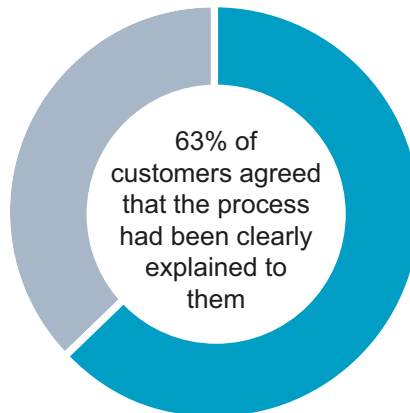
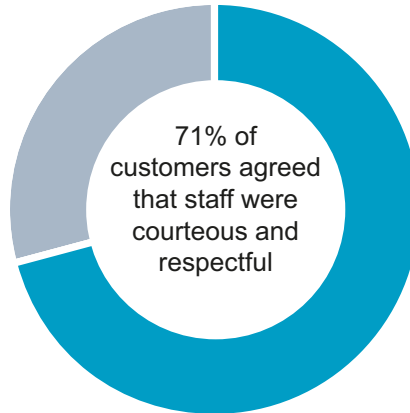




Strategic Objective 1:

Accessible complaints handling service

Nevertheless we recognise that we need to do more to increase overall satisfaction. Our customers have told us that in many cases they approached the LGO because they wanted someone to be on their side. Parliament established the LGO to provide an independent and impartial view of a complaint and people are naturally disappointed that we cannot act as a consumer champion. In response to this we are improving the way we explain our role so that people know what to expect from an LGO investigation, whilst continuing to ensure we treat all customers fairly and with courtesy and respect. We are developing our relationship with advice bodies so that people can receive clearer advice and information at a local level. However, it is clear that many people need or want a service that offers more direct support and advocacy on their complaint. Over the coming months we will be exploring the feasibility of such a service and whether that should be provided by us or another body.



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.

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 39 cases. For those people we took steps to correct the failings in our service and to learn from those mistakes.

We also wanted to be able to demonstrate to our customers that, when a complaint is made about our service, it is considered fairly and thoroughly. Following an open recruitment process we appointed an independent person as an External Reviewer of service complaints. His role is to look at a sample of complaints about our service and to report on how well we have responded to them. These reports, which are available on our [website](#) are considered by both our leadership team and the Commission to ensure that we act upon the External Reviewer's recommendations and continue to develop our service.



Strategic Objective 1:

Accessible complaints handling service

Statement from the External Reviewer

My background is in the public sector and I am passionate about improving the way that services are delivered so I am pleased to have been selected as the External Reviewer. This allows me to give an impartial view of whether the LGO responds effectively and appropriately to service complaints, identify good practice and make recommendations if necessary.

I undertook reviews in September and February, examining 10 service complaints for each review. I found that the majority were dealt with appropriately and I was impressed with the management response to some difficult and challenging issues. My recommendations to the Ombudsman include improving communication with complainants, prompt referral to managers, consistent record keeping and mitigating unexpected delays. I am pleased that all are being positively considered by the Ombudsman.

In March I presented on my role to LGO staff who worked on an exercise reviewing a service complaint; I was impressed with the thoroughness of their approach and the objectivity of their conclusions.

This is a developing role and my reports now reflect a user-led vision of the Ombudsman's service, contributing to improving standards and transparency and increasing public reassurance and accountability.

Graham Manfield
External Reviewer



Strategic Objective 2:

Making sound decisions

“ The whole process was clear and logical. The investigation was unbiased and we were not given any false assurances. ”

Feedback from LGO customer

Many people approach us because there have been problems with the decision making by their local council or care provider. An investigation by LGO provides people with the reassurance that their concerns have been considered thoroughly, fairly and independently. Our powers to make recommendations also ensure that the injustice suffered is remedied in over 99% of cases. And on the rare occasions where a decision is taken not to comply with our recommendations we take steps to support public and democratic scrutiny of that decision. It makes it especially important that we deliver decisions that are sound and evidence based. We have two primary measures that we use to consider whether our decision making is sound and whether we provide appropriate redress.

Reviews of decisions

We provide a route for people to seek a review of a decision 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 2014-15 we received 1,212 requests for

reviews about our decisions, compared to 1,107 the previous year.

We found that the decision making required clarification or further work in 8% of those cases, representing just 0.5% of all complaints and enquiries and consistent with last year. We are pleased that in the vast majority of cases our decision making is shown to be sound.

Judicial reviews

As with other publicly funded bodies, our decisions can be subject to legal challenge through judicial review. The outcomes of those legal challenges can not only provide clarity where there are disputed points of law but also provide us with feedback on the quality of our decision making.

In 2014-15 we received 18 pre-action protocol letters, a requirement before proceedings are issued. That represented 0.09% of all complaints and enquiries received during the course of the year. One of those was granted permission to proceed by the court and was successfully defended. A further judicial review was granted permission in the absence of a pre-action protocol letter but was subsequently withdrawn by a consent order.



Strategic Objective 3:

Promoting best practice

Being able to remedy an injustice that an individual has experienced is both important and rewarding but reflects just one aspect of why the Local Government Ombudsman was established. The recommendations that we make can also target more systemic issues in a local authority such as our investigation into the support being provided to a woman who was looking after her ill sister's children. As well as remedying the individual case we prompted a wider review of the council's complaints procedures- benefiting many others in the future.

We also use the learning gathered from individual complaints to help improve local services. The primary way of doing this is by publishing the outcomes of our investigations.

Thousands of individual decision statements covering the broad range of council services and social care can be found on our [website](#). This brings greater transparency to our decision making and also allows providers of public services to understand our reasoning and recommendations when they seek to make service improvements.

Many of the cases we publish will involve decisions that are very specific to the individual circumstances of the complaint. However, some highlight issues of wider public interest and where we might want to issue a public report. This can be where there is:

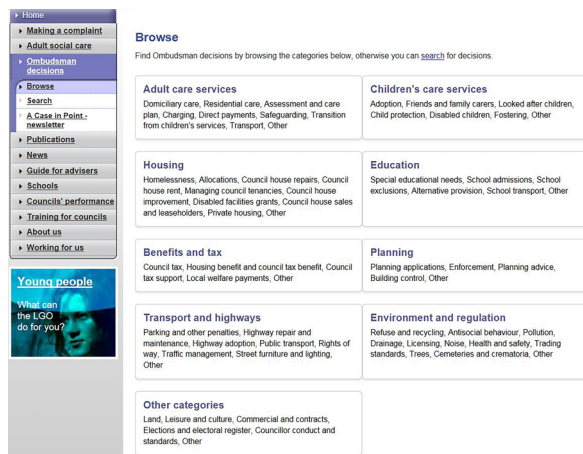
- > Recurrent fault
- > Significant fault, injustice or remedy
- > High volume of complaints about one subject
- > Significant topical issue (e.g. new legislation)
- > Systemic problems and/or wider lessons to be learnt.

There is also a public interest in highlighting the reasons why a body in our jurisdiction has decided not to comply

with our recommendations. In such circumstances we will issue a further report which addresses the body's non-compliance and confirming our recommendations. If our recommendations are still not implemented we will issue a statement of non-compliance or an adverse findings notice. This ensures that the body's decision not to implement our recommendations is subject to public scrutiny.

In total we published 30 detailed public interest reports of investigations. By publishing such cases we seek to ensure that all local authorities and care providers apply the lessons to their own services and learn from the experiences of people in one area to inform service improvement in another. Details of the

decision statements and reports we have published in the last 12 months can be found on pages 17 and 18.



You can search thousands of complaint outcomes on our website



Strategic Objective 3:

Promoting best practice

Part of being an open and accountable ombudsman service is having transparent decision making processes.

Education & children's services

1,976 decisions

- Published reports -**
- Birmingham City Council: disabled child
 - Birmingham City Council: transport
 - Derbyshire County Council: transport
 - Devon County Council: special educational needs
 - Halsall St Cuthbert's Primary School, Ormskirk: school admissions
 - Kingston upon Hull City Council: school admissions
 - Lancashire County Council: disabled child
 - London Borough of Hillingdon: fostering
 - London Borough of Lambeth: school admissions
 - Northumberland Council: child protection
 - St Edmund Arrowsmith RC High School, Wigan: school admissions
 - St Ursula's School for Girls, Greenwich: school admissions
 - Surrey County Council: disabled child (*joint report with PHSO*)

Adult care services

1,724 decisions

- Published reports -**
- Bedford Borough Council: direct payments (*joint report with PHSO*)
 - Cambridgeshire County Council: residential care
 - Knowsley Metropolitan Borough Council: independent living
 - Plymouth Council: care plan (*joint report with PHSO*)
 - Rooks (Care Home Ltd) & Green Hill Care Home: residential care (*adverse findings notice*)
 - Royal Borough of Kingston upon Thames: other
 - Shropshire Council: direct payments (*statement of non-compliance*)
 - Tameside Metropolitan Borough Council: charging
 - Tameside Metropolitan Borough Council: charging (*further report*)
 - Warwickshire County Council: residential care

Planning & development

1,597 decisions

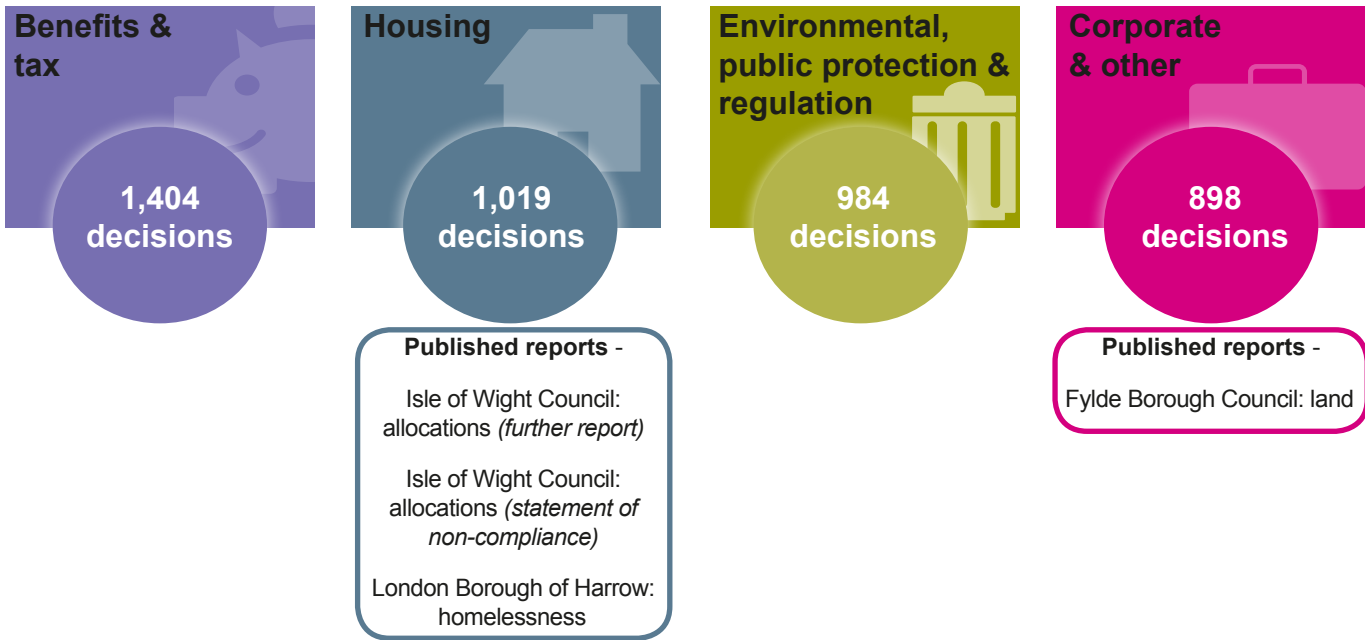
- Published reports -**
- Cornwall Council: enforcement
 - Selby District Council: householder planning application (*further report*)
 - Selby District Council: householder planning application (*statement of non-compliance*)

Highways & transport

1,492 decisions

We publish every decision we make on our website (except where to do so would compromise the anonymity of the person making the complaint). The number of decisions we have made by category are shown below.

In cases which highlight issues of wider public interest, we publish a more detailed report of our investigation. Details of the reports we have published in the last 12 months are also shown opposite and below.





Strategic Objective 3:

Promoting best practice

Our investigations will often highlight issues that we see occurring repeatedly across different councils and providers. We have continued to 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 2014-15 we published three such Focus Reports:

- > [School admission appeals: are parents being heard?](#) (September)
- > [Not in my back yard: local people and the planning process](#) (December)
- > [Are we getting the best from children's social care complaints?](#) (March)

In addition we also published for the first time detailed reviews of complaints handling across both local government and adult social care.

Over the last 12 months we have also continued to offer more direct support for local complaints systems through training to local authorities on effective complaint handling. In the last year we delivered 42 courses, training almost 800 front-line complaints staff. For the first time we have also started to offer training to private social care providers and over the coming year plan to further develop our training programme to increase its impact and relevance.

We have an essential role in supporting local complaint handling and service improvement but recognise that our impact is greatest when we work with partners. For example, we worked closely with PHSO and Healthwatch England to develop a user-led vision of the complaints system across health and social care. 'My Expectations' has for the first time created a single framework for complaints outcomes in the health and social care systems. We are especially pleased that the Care Quality Commission will use this framework in its new inspection regime and hope that our work will enable all services users to say "I felt confident to speak up and making my complaint was simple. I felt listened to and understood. I felt my complaint made a difference."

Supporting local scrutiny and accountability

It is elected councillors who have the democratic mandate to hold local public services to account on behalf of local people. We know that complaints are an important indicator of how well those services are performing and so the outcome of our investigations can be an invaluable tool as part of effective local scrutiny mechanisms. During the last year we have built our working relationship with elected members so that our investigations not only remedy individual complaints but also enhance the local accountability of services.

- > Our Focus Reports now include suggested questions that scrutiny committees could use to hold local services to account.
- > We have established a Councillors Forum, a politically diverse group of elected members from across England to help us work more effectively with councillors.
- > We have worked in partnership with the Local Government Association to develop a workbook and e-learning package that helps familiarise councillors with the complaints system, encourages their constructive role in supporting people to make complaints, and supports the use of council and LGO complaints data in the scrutiny of local services.

We will continue to develop our links with councillors over the coming year and, in particular, will be actively sharing all our published investigation reports with council leaders.



Strategic Objective 4:

Effective public accountability

“The Local Government Ombudsman is considered by government to be a valued and respected part of the democratic process, providing redress for individuals and driving up standards in authorities within its jurisdiction.”

Department for Communities and Local Government

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.

Accountability and scrutiny at the LGO





Strategic Objective 4:

Effective public accountability

The LGO is funded by Grant-in-Aid from the Department of Communities and Local Government and we are accountable to the Department for how we spend our budget. We focus our resources upon our core business of investigating complaints and remedying injustice. On 31 March 2015 we had a total headcount of 158 Full Time Equivalent (FTE) (excluding 9 FTE agency or temporary workers) with almost 84% being employed in our casework functions.

We are also accountable to Parliament for our performance, through the Communities and Local Government Select Committee. During the course of the year we have provided written updates to the Committee on our performance and will continue to do so over the coming year.

Over the last 12 months we have continued to strengthen our governance and accountability structures. The Commission now has three independent Advisory Members who bring a wide range of experience of government, the voluntary sector and dispute resolution.

They provide the external challenge and scrutiny that all public bodies need to ensure continuous improvement. The Commission meets quarterly and has a particular focus upon scrutinising LGO's performance indicators ensuring that we continue to be an organisation that delivers a high quality service that uses public money effectively and efficiently.

Our Advisory Forum continues to provide us with essential insight and feedback from users of our services and complements the feedback we receive through our customer satisfaction surveys. The inaugural members of the Forum ended their terms during 2014 and in October we welcomed the new members. The Forum continues to be made up of a majority of members of the public who have used our service.

As referenced earlier in this report we have also appointed an External Reviewer to look at how we consider complaints about our service. This is a further example of LGO actively seeking and responding to independent scrutiny of our work.



Strategic Review & Chief Executive's Report

Strategic Review - Executive Summary

- > During the year the Commission has implemented changes to enhance the effectiveness of the Executive leadership arrangements for the Local Government Ombudsman scheme. The Executive Team now comprises, Michael King, the Chief Executive and Accounting Officer, and Nigel Ellis, the Executive Director of Operations. From 1 May 2015 the role of the Commission Operating Officer was made redundant.
- > In order to comply with Government property rules, LGO has successfully implemented plans to relocate its Coventry and York operations from privately leased offices into lower cost accommodation within the Government estate. The York office moved to a DEFRA building in central York in March 2015 and we are on target to implement the move of our Coventry office to a Department for Education building in central Coventry in July 2015. This follows the London office relocation into the Home Office in September 2013.
- > The Commission received an additional £5.6m of in-year funding to reduce its pension deficit. This will reduce the annual repayment schedule to the pension fund (LPFA) in future years. However, due to the increased volatility in the market and a change in a number of the assumptions used to revalue the scheme, the value of the deficit disclosed in the accounts (and based on a different, more prudent, set of assumptions prescribed under IAS 19 Employee Benefits) is £28.897m. This represents an increase from the 2013-14 valuation of £24.485m.

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 Communities and 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 in March 2014 and the Commission and the Department have agreed that the post will not be filled.

Review of Financial Performance 2014-15

During 2014-15 the Commission managed its funding in a

prudent manner, with a £0.5m budgetary under-spend on its core revenue expenditure.

The Commission recognised total operating expenditure of £11.007m compared to £12.221m in 2013-14.

The largest budgetary saving was in staffing costs (£0.289m) and this was due to the organisation running under establishment. We have also continued to experience difficulty in recruiting, due to the effect of current spending controls. A further contributory factor was an accommodation saving (£0.145m), arising primarily because of a decision by the Home Office to discount by 75% for the first six months the rent charged for LGO's new London office at 2 Marsham Street.

The 2014-15 budget was reduced by £1.239m; a combination of the loss of funding due to the removal of some social housing complaints from our jurisdiction and a cut in overall funding for LGO. A review to consider the potential for further savings in 2015-16 was carried out during the year. The Commission presented a detailed business case to the sponsor Department outlining the efficiencies that LGO had already achieved and it was agreed that the 2015-16 budget would remain at 2014-15 levels. We are now working with the sponsor Department on funding

scenarios for 2016-17 and beyond.

Our core 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 additional funding from one other department. Of the £16,213,000 (2013-14: £12,307,000) received from DCLG, this included £166,000 (2013-14: £266,000) provided by the Department for Education (DfE).

Funding of office relocations and pension deficit reduction

The Commission received specific funding for two significant initiatives during the course of the year; to fund the relocation of two of the LGO's three offices, and to reduce the LGO pension deficit.

The first business case was for £1.576m of funding over the next two years to enable LGO to comply with Government property rules and relocate its offices in Coventry and York from private accommodation into lower cost alternatives within the Government estate. Under these rules we are required to terminate all private leases at the end of their term or upon a lease break. The York

office lease ends in July 2015, and we moved our staff to a DEFRA building in York (Foss House), in March 2015 to ensure we cleared the building by the end date. We are on target to implement the move of our Coventry staff to a DfE building in Coventry (Earlsdon Park), in July 2015.

The second business case related to the part payment of the CLAE share of the deficit of the London Pension Fund Authority (LPFA) pension scheme. At the beginning of 2014-15, the deficit measured on an ongoing basis was £6.4m (equivalent to the deficit of £24.485m on the IAS 19 basis). This was based on the last triennial valuation undertaken in 2012-13. At this time, the Commission agreed a repayment schedule that required us to repay to the LPFA an additional £0.5m each year towards the deficit, in addition to the 14.6% employer's contribution for the normal ongoing liability. The Department agreed to provide funding to repay part of the pension deficit thus reducing the ongoing costs of the LGO scheme. The LGO business case was based upon a new updated estimate provided by the LPFA of £5.600m. However, to ensure we recognised the full extent of the current position we prudently commissioned a full revaluation of the scheme. The new valuation at March 2015

resulted in a new larger deficit of £8.9m. The reason for the large increase, when compared to the original LPFA estimate of £5.6m, is the increased volatility in the market and a change in a number of the assumptions used to revalue the scheme. Consequently although we have paid £5.600m, we have only been able to repay part of the deficit and that is reflected in the accounts presented. The value of the deficit disclosed in the Accounts at 31 March 2015 is £28.897m, this valuation is based on a different, more prudent, set of assumptions prescribed under IAS 19 Employee Benefits.

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 2015 shows net liabilities of £26.849m (2013-14: £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.

Internal audit

The Government Internal Audit Agency provides the internal audit service for the Local Government Ombudsman. The Agency has delivered a risk-based internal audit plan throughout the year, and, based

on this work, has provided an overall audit opinion at level two: Yellow/Moderate. This indicated that some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. There were no qualifications to the opinion. The Agency noted that LGO management has been proactive in addressing the risks identified with the matters raised in their reports.

External audit and reporting processes

The Comptroller and Auditor General is the external auditor for the Commission. Before 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 2014-15 Annual Report and Accounts is £30,500.

There were no fees for non-audit work.

Data protection

Every year, LGO staff handle thousands of items of information relating to complaints made by members of the public. Last year, there were three information breaches reported to the Information Commissioner. The Information Commissioner has confirmed that no further action is necessary in two cases, and the third case is pending.

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, 98% 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 Team's 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

During 2014-15 the Commission and the Local Government Ombudsman, Jane Martin were supported by an Executive Team comprising two Executive Directors, and the Commission Operating Officer, Heather Lees, who was also the Accounting Officer. In May 2015 the Executive Team was restructured.

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 environmental 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 1,042 working days were lost through sickness absence; 346 of which were due to long term sickness absence. This equates to 2.5% of working time lost (2013-14: 2.8%). This compares to a national average of 3.3% in 2014 (as reported in the Chartered Institute of Personnel and Development absence management report published in October 2014). There were no reportable trends in the period.

Staff numbers

At the end of March 2015, the Commission employed 158 FTE (excluding 9 FTE agency or temporary workers) of which 104 were female and 54 were male.

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.

Ombudsman reform and 'Going Concern' status of LGO

On 25 March 2015 the previous Government published a report by Robert Gordon called, 'Better to serve the public: proposals to restructure, reform, renew and reinvigorate public services ombudsmen'. In parallel with that report they launched, 'A public service ombudsman: a consultation', to seek views about the future of public ombudsman services in England and test the desirability of moving towards a single, integrated ombudsman scheme in order to enhance public access to, and understanding of, the service. The Commission for Local Administration is aware of, and is supportive of, the proposals that are under consideration.

The current Government has subsequently set out its intention in the Queen's Speech to bring

forward a draft Bill to establish a single public services ombudsman. Any changes that arise from these proposals may have implications for the future of the Local Government Ombudsman, the Parliamentary and Health Service Ombudsman, and possibly the Housing Ombudsman. These proposals are however still subject to the completion of the consultation and a consideration of the responses received, and will require the passage of primary legislation through the full parliamentary process. It is therefore too early at this stage to know either the timetable or nature of any changes that may follow, or to make any meaningful assessment of their implications for the future of LGO. I have considered the issues set out in the report, the consultation and the Queen's Speech in forming my judgement about the overall status of the organisation. I am satisfied that this does not give rise to a material uncertainty around the going concern status of LGO at this stage and our accounts have therefore been prepared on a going concern basis. The Commission and the Executive Team will continue to monitor, and engage with, these proposals as they develop.

Significant events after the reporting period

From 1 May the role of the Commission Operating Officer was made redundant. The Executive Team now comprises a Chief Executive, Michael King, who is also the Accounting Officer, plus an Executive Director of Operations, Nigel Ellis.

As part of the package of measures contained in the Queen's Speech in May 2015 the Government announced its intention to bring forward a draft Bill to establish a single public services ombudsman. The contents of this Bill will be informed by the outcome of the Cabinet Office consultation on ombudsman reform highlighted above. The Commission is pleased that the Government has signalled its intention to proceed with this important area of reform. A single ombudsman for public services, that continues to draw upon knowledge and expertise of local government and social care, has the potential to provide a more accessible service for the public and provide better value for money for the taxpayer. I am content, as set out above, that this announcement does not give rise to a material uncertainty about the status of LGO, at this stage.

Remuneration report

Remuneration Committee

During the financial year 2014-15, 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. For 2014-15 a 2.2% pay award was granted with effect from 1 January 2015.

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, David Liggins, Chair

of the Remuneration Committee and Carol Brady. The members' remuneration consists of a day rate plus out of pocket expenses; no pension benefits are accrued. All 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 benefit 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	2014-15				2013-14			
		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	-	27	165-170	135-140	-	10	145-150
Anne Seex*	Ombudsman & Vice-Chair	-	-	-	-	65-70	-	18	85-90
Michael King	Executive Director	80-85	700	25	105-110	80-85	100	12	95-100
Nigel Ellis	Executive Director	85-90	1,100	26	110-115	85-90	700	17	100-105
Heather Lees**	Commission Operating Officer	85-90	-	26	110-115	80-85	-	19	100-105
Nigel Karney***	Deputy Chief Executive & Accounting Officer	-	-	-	-	95-100	-	-	95-100

Note: No bonuses were paid in 2013-14 and 2014-15.

* Anne Seex was granted ill health retirement on 31 March 2014.

** Heather Less left the Commission on 8 May 2015 and her salary above includes a redundancy payment of £4,857. The redundancy payment was paid in accordance with statutory requirements and entitlements based on length of service set out in the Contract of Employment.

*** Nigel Karney left the Commission on 31 October 2013.

Ombudsman and senior staff pension entitlement details

The Ombudsman and her 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 *	CETV *	Real increase in CETV
	at 31/3/15 £000	2014-15 £000	at 31/3/15 £000	at 31/3/14 £000	2014-15 £000
Jane Martin	55-60	0-2.5	965	895	43
	Lump sum -	-			
Michael King	25-30	0-2.5	470	436	21
	Lump sum 55-60	(0-2.5)			
Nigel Ellis	5-10	0-2.5	81	59	10
	Lump sum -	-			
Heather Lees	5-10	0-2.5	65	43	13
	Lump sum -	-			

*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.

Fair Pay disclosures

	2014-15	2013-14
Band of the highest paid individual total (£'000)	135-140	135-140
Median Total Remuneration (£'000)	38	37
Ratio	1:3.7	1:3.7

In 2014-15, no employees (2013-14: nil) received remuneration in excess of the highest-paid Commission member. Remuneration ranged from £8,285 (part-time, FTE £14,499) to £140,000 (2013-14: £2,194 to £140,000). 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. All employees are paid above the living wage rate.

The banded remuneration of the highest paid Commission member in 2014-15 was £135,000-£140,000 (2013-14: £135,000-£140,000). This was 3.7 times (2013-14: 3.7) the median remuneration of the workforce, which was £37,582 (2013-14: £37,019).

Advisory Members' Remuneration

The remuneration of the Advisory Members in 2014-15 was as follows:

	Status	2014-15 Total remuneration	2013-14 Total remuneration
Carol Brady	Advisory Member	£1,155 (including £155 expenses)	-
David Liggins	Advisory Member	£7,134 (including £2,634 expenses)	£2,000
Sir Jon Shortridge	Advisory Member	£5,576 (including £576 expenses)	£5,328 (including £328 expenses)
Dame Julie Mellor (The PHSO is not remunerated by CLAE in respect of her responsibilities as a local Commissioner.)	Independent Commissioner	nil	nil

Michael King
Accounting Officer & Chief Executive
29 June 2015

This signature covers the 'Strategic Review & Chief Executive's Report' and the 'Remuneration Report'.

Statement of Commission's and Accounting Officer's Responsibilities

Under the Accounts direction as given by the Secretary of State for Communities and Local Government with the consent of the Treasury (Annex A) the Commission for Local Administration in England is required to prepare annual accounts and financial statements which give a true and fair view of the income and expenditure and cash flows for the financial year and the state of affairs at the end of the year.

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 Permanent Secretary for Communities and Local Government has appointed the Chief Executive as Accounting Officer of the Commission.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping 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

Governance Statement - Executive Summary

- > I was appointed as Chief Executive and Accounting Officer on 1 May 2015, taking over responsibility from Heather Lees who acted as the Commission Operating Officer and Accounting Officer for the 2014-15 business year. I have satisfied myself that the Commission's internal control arrangements have operated effectively throughout the year. I have also received a letter of assurance from the former Accounting Officer to confirm that she is also satisfied and that she is content with the assurances she has received from LGO managers and from the Internal Audit Programme.
- > During the year there has been a significant strengthening of the LGO's governance arrangements with the appointment of two additional independent advisory members to the Commission. The Commission anticipate making further proposals to update the statutory governance arrangements for the scheme in 2015-16 as part of their Triennial Review of the Local Government Act 1974.
- > The Commission has initiated a Joint Convergence Programme with the Parliamentary and Health Service Ombudsman to enable the Ombudsmen to offer a seamless service to the public. Robust governance and project management arrangements have been established to oversee this work through a Joint Convergence Committee, chaired by Sir Jon Shortridge (Chair of both organisations' Audit Committees), with Dr Jane Martin (Local Government Ombudsman) and Dame Julie Mellor (Parliamentary and Health Service Ombudsman).
- > After consultation with a wide range of stakeholders this year the Commission approved a new Corporate Strategic Plan for the period from 2015 to 2018.

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 Chief Executive 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 robust approach is in place to address any identified weaknesses and to ensure continuous improvement. This includes a monthly review by the Executive Team to monitor progress made in delivering management actions in response to internal audit recommendations. The status of all recommendations is then reported back to each Audit Committee.

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 for Local Administration in England (CLAE) is the statutory body created by the Local Government Act 1974 to operate the Local Government Ombudsman scheme. The members of the Commission are the Chair, Dr Jane Martin, who is also the Local Commissioner (Local Government Ombudsman), and Dame Julie Mellor, the Parliamentary and Health Service Ombudsman.

During the year there has been a significant further strengthening of the LGO's governance arrangements with the appointment of additional independent advisory members to the Commission. Sir Jon Shortridge, the Chair of the CLAE Audit Committee, has been an Advisory Member since November 2012. He was joined in April 2014 by David Liggins, Independent Chair of the Remuneration Committee (since December 2012), and by Carol Brady, who was appointed as an Advisory Member through an open public process in July 2014.

The previous Vice-Chair of the Commission, Anne Seex, retired on the grounds of ill health in March 2014 and the Commission has decided that it is not appropriate to fill this role. That decision is in line

with the recommendations contained in the Governance Review of the LGO carried out for the Secretary of State for Communities and Local Government in 2013. That review recommended that an early opportunity should be found to make the limited legislative changes needed to amend the governance arrangements set out in the Local Government Act 1974 to strengthen the Commission and provide a proper statutory basis to operate with one ombudsman. Those legislative changes have yet to be made. The Commission will therefore be making proposals to update the statutory governance arrangements for the scheme as part of their Triennial Review of the 1974 Act in 2015-16.

6 The Commission meets five times a year. The Accounting Officer attends the Commission meetings in an advisory capacity, together with Nigel Ellis, the Director of Operations, and other senior staff as required.

7 The Commission has conducted its operations taking into account the guidance issued by Cabinet Office in relation to spending controls. This includes restrictions relating to the appointment of staff and to advertising. The inability to openly advertise

vacant posts throughout the year has led to several unsuccessful recruitment exercises. Where recruitment to key posts has been delayed, this has contributed to an over-reliance of temporary staff, to delays in allocating cases for investigation, and to an under-spend in staffing costs.

8 Throughout 2014-15 our staff have continued to deliver improvements in the efficiency and effectiveness of our complaint handling; increasing productivity and the 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 68% to 83% during the year.

During the year the Chair of the Commission also reviewed the effectiveness of the Executive Team management arrangements. This resulted in a change to the leadership arrangements to ensure that the full responsibility for delivery of the scheme rested with one individual. Under the previous arrangements the Executive Team had shared authority for all decisions, and all three members of the team reported to the Chair of the Commission. Under this structure the Accounting Officer was accountable for the resources of the organisation; however she did not have authority and

responsibility for staffing and operational decisions. This approach was unsatisfactory. The new structure, with only the Chief Executive reporting to the Chair, and all other staff reporting to that role, has introduced a stronger leadership structure. Consequently, although the Commission Operating Officer completed the year as Accounting Officer in April 2015, that post was removed and made redundant. I accepted the role of Chief Executive and Accounting Officer from 1 May 2015.

The Quality Framework has had its first full year of operation and continues to be effective in monitoring service quality across all aspects of the business. A comprehensive suite of quality measures is owned and reviewed by all members of the Leadership Team, which includes all the senior managers in the organisation. Their ownership of the quality process provides a clear focus on one common set of standards for all of our work, across all sites and functions; it enables clear feedback to staff; and it has directly contributed to the improved results that are detailed in the Annual Report.

In addition to quality monitoring, members of the Leadership Team each have cross-cutting roles for key projects and significant areas of corporate responsibility. Leadership Team meetings will be adapted to

reflect the recent changes in leadership arrangements and will remain a key part of the LGO management and internal communication arrangements in the year to come.

9 During 2014-15 we continued to update the Select Committee about the progress against the four recommendations made in their Fifth Report of Session 2013-14. We submitted a progress report in June and, in response to a further request from the Committee, a further report in August.

Recognising the significant connections between our respective jurisdictions for health and social care, and with a shared desire to simplify redress for the public, we continue to work closely with the Parliamentary and Health Service Ombudsman to harmonise our work and offer a more joined-up service. This year we have put those activities on a more formal footing and have initiated a Joint Convergence Programme looking at both operational and back office harmonisation. Robust governance and project management arrangements have been established through a Joint Convergence Committee, chaired by Sir Jon Shortridge (Chair of both organisations' Audit Committees) with Dr Jane Martin (Local Government Ombudsman) and Dame Julie

Mellor (Parliamentary and Health Service Ombudsman). This provides strategic direction and oversight for the joint programme. To support that work I chair a Joint Executive Team, made up of all the senior managers of the two organisations, which is responsible for the delivery of a detailed programme plan. Current convergence goals include the harmonisation of information security standards and the joint procurement of a new casework management system, both to enable closer joint working.

On 25 March 2015 Cabinet Office published a report, 'Better to serve the public: proposals to restructure, reform, renew and reinvigorate public services ombudsmen'. In parallel with this report they launched a consultation seeking views on establishing a public sector ombudsman, which closes on June 16 2015. The Commission is actively engaged with these developments and is supportive of any reforms that simplify access to justice for the public and enhance the ombudsmen's ability to drive public service improvement.

On 26 March 2015 the Department of Communities and Local Government published a consultation on extending the remit of the Local Government Ombudsman to larger parish and town councils.

Both consultations could have a major impact on the future shape and resources of the organisation. The Commission formally responded to both consultations in the first quarter of 2015-16. We will also be working with the sponsor Department to assess the implications of these proposals as part of wider discussions about future resource requirements and public spending pressures.

10 The Commission received financial and performance data at each of its meetings to enable it to monitor performance against each of its four strategic objectives and against its business plan. The organisation reviewed its performance measures during 2014-15 and I am satisfied that the level and quality of the data was appropriate. I anticipate making further refinements to the performance data that is provided to the Commission during 2015-16 and have asked my Head of Policy and Communications to review data integrity and reporting across LGO to ensure that we make best use of the data we hold.

11 A table setting out Commission and committee attendances in 2014-15 is shown below.

12 The Commission sets a 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 and provides the framework for all service delivery. After consultation with a wide range of stakeholders this year the Commission approved a new Corporate Strategic Plan for the period from 2015 to 2018.

13 In addition to core revenue and capital funding for 2014-15, the Commission received funds to enable it to implement the requirement for LGO to relocate from both our Coventry and York offices at the end of their leases in 2015. The relocation of our York office was successfully completed during the year and plans are on target for the Coventry move in Summer 2015.

During the year the Commission also submitted a successful business case for funding in 2015-16. As a result it expects to receive the same core funding as in 2014-15. The Commission

nevertheless faces ongoing financial challenges and the LGO scheme operates with limited resilience to respond to further changes in demand or resources.

The Audit Committee

14 The Commission has appointed an Audit Committee. It has an independent Chair, Sir Jon Shortridge, and two other members: Dame Julie Mellor, the Parliamentary and Health Service Ombudsman, and David Liggins, an independent member. The Commission Chair also attends in an advisory capacity. The Committee

Commission and Committee attendances

Present	Commission meetings (5 in total)	Audit Committee meetings (4 in total)	Remuneration Committee meetings (3 in total)	Joint Convergence Committee meetings (4 in total)
Dr Jane Martin (Chair of Commission)	5	4	3	4
Dame Julie Mellor (Parliamentary & Health Service Ombudsman)	5	4	-	4
Sir Jon Shortridge (Audit Committee Chair)	5	4	3	4
David Liggins (Remuneration Committee Chair)	3	4	3	-
Carol Brady (Advisory Member - appointed July 2014)	2	-	-	-

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 oversees the effectiveness of the Commission’s risk management processes. It comments on the internal audit programme and monitors the progress on implementing audit recommendations.

15 The Audit Committee meetings are attended by representatives of internal and external audit. The meetings are also attended by the 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.

16 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 three internal audit reports from our internal auditors GIAA who are satisfied that they can provide the following assurances:

Internal audit report	Assurance level
Finance key controls	Moderate
Counter Fraud	Moderate
IT Controls	Moderate

GIAA were also commissioned to undertake two further audits to report on the extent of our compliance with ISO 27001. This work was undertaken in support of the Joint Convergence Programme. We have agreed with PHSO to both align with the ISO framework, though neither organisation intends to seek formal certification to the standard. The two audits made useful recommendations to help LGO move closer to the requirements of the standard and confirmed that, once we had completed the recommendations of the IT Controls audit, our approach will be fit for purpose.

During the year the committee also reviewed the findings of the organisation's Penetration Test. This test, undertaken by external auditors, reviews the organisation’s IT vulnerability, security arrangements and physical building security to

judge how effective the current measures are at stopping intruders both electronically and physically. The test provided assurance that our measures are effective and also offered recommendations on where and how we could improve those measures. A desk top test of the new Business Continuity plan was performed to ensure the plan was appropriately documented and that the team were properly trained and clear about their roles. An external organisation was commissioned to test our approach. They were able to offer assurance that the current plan was appropriate, but suggested a number of changes to further enhance the process. The plan will be reviewed again by December 2015 after the accommodation moves in Coventry and York.

The Committee also considered the draft Annual Accounts, including this Governance Statement and submitted comments on these.

17 Both the Commission’s internal auditors in 2014-15 (GIAA) and its external auditors (National Audit Office) have ready access to the Audit Committee and its Chair, the Commission and its staff, as appropriate.

Risk assessment & management

18 The Commission has overall responsibility for monitoring and reviewing strategic risks aligned to the four strategic objectives of the organisation. Throughout 2014-15 risk registers for strategic, operational and project risks have been regularly reviewed and monitored by the Commission, Executive Team and relevant project boards. The amalgamated operational risk register covers all three sites and all parts of the organisation. The Commission Risk Management Strategy defines key roles and responsibilities and sets out how risk is to be managed. In my capacity as Accounting Officer I am responsible to the Commission for ensuring this approach operates effectively, and will be updating the Risk Management Strategy during 2015-16 to ensure it reflects the new structure.

19 The Audit Committee has oversight of risk management arrangements 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.

During the year this has included a particular focus on addressing risks related to the resilience and business continuity arrangements for the LGO's externally provided IT, data and telephony systems and on mitigating risks associated with information security.

Assurance of effectiveness

20 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 2014-15 by this audit process. The Head of Internal Audit stated on the basis of the evidence obtained during 2014-15 that she was able to provide an overall level two /'moderate' assurance rating on the adequacy and effectiveness of the LGO's arrangements. This audit opinion signifies that some improvements are required to enhance the adequacy and effectiveness of the framework of internal control. In her opinion, there are no significant weaknesses that fall within the scope of issues that should be reported in the Governance Statement.

21 I am satisfied with the effectiveness of the systems of internal control operating within LGO. I have also received a letter of assurance from the former Commission Operating Officer to confirm that she is satisfied that our internal control systems operated effectively throughout the year and that she is content with the assurances she has received from LGO managers and from the Internal Audit Programme.

22 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 2014-15.

The Remuneration Committee

23 The Remuneration Committee met three times in the year and was advised by the Accounting Officer and the Head of Human Resources, except on matters relating to personal remuneration. The Committee reported to the Commission after every

meeting. In the course of the year the Committee's work included scrutiny of the fair operation of the LGO's Exceptional Contribution Award Scheme and consideration of pay equality issues.

24 The Committee continued to appraise the Ombudsman's performance through a 360 degree appraisal which was undertaken by the Chair of the Remuneration Committee. The members of the Committee, Executive Team, Commission, external stakeholders and the sponsor Department 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 2015-16 objectives.

Compliance with the Corporate Governance Code

25 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.

26 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
- > the environment in which it operates.

It should include:

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

27 The Framework Agreement was signed in August 2013 after formal approval from HM Treasury and the Secretary of State for Communities and Local Government.

28 In conclusion, the Commission has delivered an improved service to the public whilst reducing its budget,

enhancing its governance structure, and relocating its staff to new offices. 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 first full year of publication of all our decisions online. We continue to transform the organisation and I fully support the Chair of the Commission's determination that we will continue to build on our strong foundations so that we remain relevant and resilient.

Michael King
Accounting Officer & Chief Executive
29 June 2015

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 2015. 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 2015 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 & Chief Executive'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 2015

Statement of Comprehensive Net Expenditure

		2015	2014
	Note	£000	£000
Operating income	2.1	(51)	(256)
Operating expenditure			
Staff costs	3.1	14,198	8,562
Pension loss/(gain)	3.2	(5,269)	378
Accommodation costs	4.1	732	1,810
Office expenses	4.2	648	492
Professional costs	4.3	245	471
Depreciation & amortisation	6 & 7	297	341
Meeting & travel costs		156	167
Total operating expenditure		11,007	12,221
Net operating expenditure		10,956	11,965
Net interest costs	5	1,027	1,188
Net expenditure for the year		11,983	13,153
Other comprehensive expenditure			
Pension fund actuarial loss/(gain)	12g	8,633	(4,592)
Total comprehensive expenditure		20,616	8,561

The notes on pages 47 to 69 form part of these accounts.

All activities are continuing.

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

Statement of Financial Position

	Note	2015 £000	2014 £000
Assets			
Non current assets			
Plant & equipment	6	152	278
Intangible assets	7	273	298
Total non current assets		425	576
Current assets			
Trade & other receivables	8	360	250
Cash & cash equivalents	9	2,733	2,591
Total current assets		3,093	2,841
Total assets		3,518	3,417
Liabilities			
Current liabilities			
Trade & other payables	10	(1,248)	(923)
Provision for dilapidations	11	(222)	-
Total current liabilities		(1,470)	(923)
Total assets less total current liabilities		2,048	2,494
Non current liabilities			
Provision for dilapidations	11	-	(455)
Pension scheme liability	12e	(28,897)	(24,485)
Total non current liabilities		(28,897)	(24,940)
Assets less liabilities		(26,849)	(22,446)
Taxpayers' equity			
Income and Expenditure Reserve		2,048	2,039
Pension Reserve		(28,897)	(24,485)
Total Taxpayers' Equity		(26,849)	(22,446)

The notes on pages 47 to 69 form part of these accounts.

Michael King
Accounting Officer
29 June 2015

Dr Jane Martin
Chair
29 June 2015

Statement of Cash Flows

	Note	2015 £000	2014 £000
Cash flows from operating activities			
Net expenditure for the year		(11,983)	(13,153)
Adjustments for:			
Depreciation & amortisation	6 & 7	297	341
Loss on sale of fixed assets	4.2	26	-
Finance costs/(income)	5	(21)	(20)
(Increase)/decrease in trade & other receivables	8	(110)	340
Increase/(decrease) in trade & other payables	10	325	101
Increase/ (decrease) in provision for dilapidations	11	(233)	(656)
Non-cash pension charge/(credit) included in net expenditure for the year		(4,221)	1,586
Net cash outflow from operating activities		(15,920)	(11,461)
Cash flows from investing activities			
Purchase of plant & equipment	6	(81)	(88)
Purchase of intangible non-current assets	7	(91)	(82)
Interest received	5	21	20
Net cash outflow from investing activities		(151)	(150)
Cash flows from financing activities			
Receipts of Grant-in-Aid financing		16,213	12,307
Net cash inflow from financing activities		16,213	12,307
Net increase/(decrease) in cash & cash equivalents		142	696
Cash & cash equivalents at beginning of period		2,591	1,895
Cash & cash equivalents at end of period	9	2,733	2,591

The notes on pages 47 to 69 form part of these accounts.

Statement of Changes in Taxpayers' Equity

	Note	Income & Expenditure Reserve	Pension Reserve	Total Taxpayers' Equity
		£000	£000	£000
Balance at 31 March 2013		1,299	(27,491)	(26,192)
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)	-
Balance at 31 March 2014		2,039	(24,485)	(22,446)
Grant-in-Aid financing	2.2	16,213	-	16,213
Total comprehensive expenditure for the year		(11,983)	(8,633)	(20,616)
Transfers between reserves in respect of pension fund costs		(4,221)	4,221	-
Balance at 31 March 2015		2,048	(28,897)	(26,849)

The notes on pages 47 to 69 form part of these accounts.

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 2014-15 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.

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.

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 2015 shows net liabilities of £27m. 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.

On 25 March 2015 the previous Government published a report by Robert Gordon called, 'Better to serve: proposals to restructure, reform, renew and reinvigorate public services ombudsmen'. In parallel with that report they launched, 'A public service ombudsman: a consultation', to seek views about the future of public ombudsman services in England. The current Government has subsequently set out its intention in the Queen's Speech to bring forward a draft Bill to establish a single public services ombudsman. Any changes that arise from these proposals may have implications for the future of the Local Government Ombudsman. These proposals are however still subject to the completion of the consultation and consideration of the responses received, and will require the passage of primary legislation through the full

parliamentary process. It is therefore too early at this stage to know either the timetable or nature of any changes that may follow, or to make any meaningful assessment of their implications for the future of LGO. We have considered the issues set out in the report, the consultation, and the Queen's Speech in forming a judgement about the overall status of the organisation. We are satisfied that this does not give rise to a material uncertainty around the going concern status of LGO at this stage, and our accounts have therefore been prepared on a going concern basis.

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
3-4 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. 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.

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.

The Commission does not currently act as lessor in any leases.

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 Commission has not applied any changes in accounting policy in the current period.

The Commission does not believe there are any 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.

2.1 Operating income

	2015 £000	2014 £000
Sublease income from PHSO	-	206
Training & seminar fees	51	50
	51	256

2.2 Grant-in-Aid

The Commission received funding from two Government departments in 2014-15. In addition to the core funding, office relocation and pension deficit 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.

	2015 £000	2014 £000
DCLG	16,047	12,041
DfE	166	266
	16,213	12,307

Represented by:	2015 £000	2014 £000
Revenue	15,988	12,137
Capital	225	170
	16,213	12,307

3.1 Staff costs

	2015	2015	2015	2014
	£000	£000	£000	£000
	Permanently employed staff	Others	Total	Total
Wages & salaries	6,365	-	6,365	6,299
Social security	543	-	543	536
Other pension costs*	6,951	12	6,963	1,370
	13,859	12	13,871	8,205
Temporary staff	-	229	229	178
Redundancy costs	27	-	27	63
	13,886	241	14,127	8,446
Indirect staffing costs**	71	-	71	116
Total	13,957	241	14,198	8,562

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

*This includes £11,870 (2013-14: £11,581) relating to pension payments to a retired Local Government Ombudsman and a surviving widow. In addition it includes a one-off payment of £5,600,000 (2013-14: nil) towards the CLAE share of the deficit of the LPFA pension scheme.

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

3.2 Pension loss/(gain)

	2015	2014
	£000	£000
Current service costs	1,594	1,605
Past service costs, including curtailments	-	63
Administration expenses	77	75
Contributions by the employer*	(6,940)	(1,365)
Total	(5,269)	378

* The cost of the contributions by the employer are included in other pension costs in note 3.1 and in 2014-15 include a one-off payment of £5,600,000 towards the CLAE share of the pension deficit.

3.3 Reporting of compensation scheme packages

	2014-15	2014-15	2014-15	2013-14	2013-14	2013-14
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	5	-	5	2	-	2
£10-£25	-	-	-	2	-	2
£25-50	-	-	-	1	-	1
Total number of exit packages	5	-	5	5	-	5
Total cost (£000)	27	-	27	63	-	63

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.

3.4 Staff numbers

	2015	2014
Average number of full time equivalent staff employed:		
Permanently employed	160	162
Other*	5	6
	165	168

*Other staff includes short-term contractors and temporary or agency staff.

Staff numbers exclude the Ombudsman as she is not a member of staff, but her remuneration is included in wages and salaries note 3.1 and also included in the Remuneration Report.

4 Operating expenditure

4.1 Accommodation costs		
	2015	2014
	£000	£000
Rent & rates	576	1,568
Other expenses	69	148
Utilities	66	50
Repairs & maintenance	7	32
Health & safety	14	12
	732	1,810

Rent and rates includes ongoing costs incurred under commercial operating leases at offices in Coventry as well as an office in York which was vacated during the year. It also includes ongoing costs incurred under a Memorandum of Terms of Occupation (MOTO) at DCLG offices in London. The cost is net of the release of a provision for dilapidations of £230,187 (2013-14: release of £363,257) as shown in note 11.

2013-14 rent and rates costs include £742,991 (2014-15:nil) in respect of the lease break for the commercial premises in London that were vacated in 2013-14, as well as commercial rental costs which are more expensive than the MOTO.

4.2 Office expenses		
	2015	2014
	£000	£000
Computers & telephone	479	301
Insurance & other office expenses	61	116
Loss on sale of fixed assets	26	-
Furniture & equipment rental	45	29
Postage & stationery	37	46
	648	492

4.3 Professional costs		
	2015	2014
	£000	£000
Legal & litigation	49	298
Internal & external audit	57	37
Professional fees & subscriptions	43	56
Publicity & information	91	64
Research	5	16
	245	471

External audit remuneration totals £30,500 (2013-14: £15,000). No remuneration was paid to the external auditors for non audit work in 2014-15 (2013-14: nil). Internal audit fees of £15,595 were incurred in 2014-15 (2013-14: £14,299).

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

4.4 Amounts paid under operating leases		
	2015	2014
	£000	£000
Buildings	651	872
Other	13	19
	664	891

5 Net interest costs

	Note	2015	2014
		£000	£000
Interest on pension fund assets	12i	2,256	2,232
Interest on pension fund liabilities	12h	(3,304)	(3,440)
Bank deposit interest		21	20
		(1,027)	(1,188)

6 Plant and Equipment

	Plant & machinery	Furniture & fittings	Information technology	Total
	£000	£000	£000	£000
Cost				
At 01 April 2014	297	907	365	1,569
Additions	-	-	81	81
Disposals	(52)	(197)	(86)	(335)
At 31 March 2015	245	710	360	1,315

Depreciation				
At 01 April 2014	242	784	265	1,291
Provided during the year	45	102	35	182
Disposals	(46)	(178)	(86)	(310)
At 31 March 2015	241	708	214	1,163

Cost				
At 01 April 2013	427	1,434	352	2,213
Additions	-	-	88	88
Disposals	(130)	(527)	(75)	(732)
At 31 March 2014	297	907	365	1,569

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

Net Book Value				
At 31 March 2014	55	123	100	278
At 31 March 2015	4	2	146	152

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

	Total £000
Cost	
At 01 April 2014	1,011
Additions	91
Disposals	(9)
Cost at 31 March 2015	1,093

Amortisation	
At 01 April 2014	713
Provided during the year	115
Disposals	(8)
At 31 March 2015	820

Cost	
At 01 April 2013	1,118
Additions	82
Disposals	(189)
Cost at 31 March 2014	1,011

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

Net Book Value	
At 31 March 2014	298
At 31 March 2015	273

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

	2015 £000	2014 £000
Trade receivables	11	63
Deposits & advances*	35	32
VAT receivable	93	34
Prepayments	221	121
	360	250
Represented by:		
Central Government	93	34
Local Authority	5	43
External bodies	262	173
	360	250

* Deposits and advances includes staff loans for rail travel - £17,894 (2013-14: £15,239) and travel advances - £17,100 (2013-14: £17,200).

9 Cash and cash equivalents

	2015 £000	2014 £000
Cash at bank and in hand	2,733	2,591

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		
	2015	2014
	£000	£000
Trade payables	63	161
Other payables	343	320
Accruals & deferred income	842	442
	1,248	923
Represented by:		
Central Government	468	193
Local Authority	8	16
External bodies	772	714
	1,248	923

11 Provision for dilapidations

	2015	2014
	£000	£000
Balance at 01 April	455	1,111
Utilised	(3)	(293)
Provided in year	-	-
Written back	(230)	(363)
	222	455

	2015	2014
	£000	£000
Balance at 01 April		
Current	222	-
Non current	-	455
	222	455

The Commission has reviewed potential liabilities associated with its estates portfolio. In particular the Commission wishes to note and 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 current liability of £222,000 is for the dilapidations of the Coventry and York 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 £1,345,256 during 2014-15 (2013-14: £1,366,539) as well as a one-off payment towards the deficit of £5,600,000. In addition, payments in respect of curtailments and settlements arising from redundancies totalling nil (2013-14: £87,616) were made in the year. The employer's and employee's contribution rate is fixed following actuarial assessments every three years. The most recent assessment which reviewed the position of the Fund at 31 March 2013, resulted in the employers' rate of 21.9% (unchanged from 1 April 2008) effective from 1 April 2014. For the year commencing 1 April

2015, employer's contributions will be at the rate of 14.6% plus a fixed sum of £486,970, and then in the year commencing 1 April 2016, the rate will be 14.6% plus a fixed sum of £508,884.

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, he 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 2014-15 amounting to £11,870 (2013-14: £11,581).

12.5 Disclosures as required by IAS 19 are below.

The tables and notes below were provided by the LPFA actuary and the Commission is content that they fairly present the most appropriate assumptions to be applied and the estimated assets and liabilities and the actuarial loss for 2014-15 for the scheme.

a. Financial assumptions			
Year ended:	31 March 2015	31 March 2014	
	% pa	% pa	
Inflation/pension increase (RPI)	3.3	3.6	
Inflation/pension increase (CPI)	2.5	2.8	
Salary increase rate	4.3	4.6	
Pension increases	2.5	2.8	
Discount rate	3.4	4.4	

b. Demographic assumptions			
Life expectancy in years from age 65	2015	2014	
Retiring today - males	22.6	22.5	
Retiring today - females	25.5	25.4	
Retiring in 20 years - males	24.9	24.8	
Retiring in 20 years - females	27.8	27.6	

The actuary has adopted demographic assumptions which are consistent with those used for the funding valuation as at 31 March 2015. 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 2016.

c. Estimated asset allocation		
Year ended	31 March 2015	31 March 2014
	%	%
Equities	43	53
LDI/Cashflow matching	8	6
Target return funds	29	30
Infrastructure	5	4
Commodities	1	1
Property	3	3
Cash	11	3
Total	100	100

d. Fair value of employer assets - CLAE share		
	31 March 2015	31 March 2014
	£000	£000
Equities	26,033	27,294
LDI/Cashflow matching	4,504	3,090
Target return funds	17,346	15,450
Infrastructure	2,973	2,060
Commodities	558	515
Property	1,700	1,545
Cash	6,889	1,545
Total	60,003	51,499

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2015 is estimated to be 7%. 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.

The Commission's share of the assets of the total Fund is approximately 1%.

e. Amounts recognised in the Statement of Financial Position			
Year ended	Note	31 March 2015	31 March 2014
		£000	£000
Fair value of employer assets	12d & 12i	60,003	51,499
Present value of funded obligation	12h	(88,900)	(75,984)
Net (liability)		(28,897)	(24,485)

In 2014-15 a one-off payment of £5,600,000 was paid towards the pension deficit in addition to normal contributions of £1,340,000. Despite this payment, the deficit has increased from £24,485,000 to £28,897,000 mainly as a result of a change in the financial assumptions which increased the present value of scheme liabilities by £10,824,000 (see note 12g).

f. Amounts charged in the Statement of Comprehensive Net Expenditure		
Year ended	31 March 2015	31 March 2014
	£000	£000
Service cost	1,594	1,668
Net interest on the defined liability (asset)	1,048	1,208
Administration expenses	77	75
Total	2,719	2,951

g. Remeasurements and other comprehensive income			
Year ended	Note	31 March 2015 £000	31 March 2014 £000
Return on plan assets in excess of interest	12i	1,192	(457)
Other actuarial gains/(losses) on assets	12i	-	292
Changes in financial assumptions	12h	(10,824)	(3,582)
Changes in demographic assumptions	12h	-	(208)
Experience gain/(loss) on defined benefit obligation	12h	999	8,547
Pension fund actuarial (loss)/gain		(8,633)	4,592

Changes to the financial assumptions have increased the present value of scheme liabilities by £10,824,000 at 31 March 2015. The most significant change and principal reason for this increased liability is a change in the assumed discount rate from 4.4% (2013-14) to 3.4% (2014-15).

h. Reconciliation of defined benefit obligation - CLAE share		
Year ended	31 March 2015 £000	31 March 2014 £000
Opening defined benefit obligation	75,984	77,173
Current service cost	1,594	1,605
Interest cost	3,304	3,440
Change in financial assumptions	10,824	3,582
Change in demographic assumptions	-	208
Experience loss/(gain) on defined benefit obligation	(999)	(8,547)
Estimated benefits paid	(2,272)	(1,965)
Past service costs, including curtailments	-	63
Contributions by members	465	425
Closing defined benefit obligation	88,900	75,984

i. Reconciliation of fair value of employer assets - CLAE share

Year ended	31 March 2015	31 March 2014
	£000	£000
Opening fair value of employer assets	51,499	49,682
Interest on assets	2,256	2,232
Return on assets less interest	1,192	(457)
Other actuarial gains/(losses)	-	292
Administration expenses	(77)	(75)
Contributions by the employer	6,940	1,365
Contributions by members	465	425
Estimated benefits paid	(2,272)	(1,965)
Closing fair value of employer assets	60,003	51,499

j. Sensitivity analysis

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation	87,236	88,900	90,597
Projected service cost	1,922	1,969	2,017
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	89,102	88,900	88,699
Projected service cost	1,970	1,969	1,968
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	90,409	88,900	87,421
Projected service cost	2,016	1,969	1,923
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present value of defined benefit obligation	86,083	88,900	91,717
Projected service cost	1,910	1,969	2,028

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 2016	
Projections for the year to 31 March 2016	Year to 31 March 2016
	£000
Service cost	1,969
Net interest on the defined liability	967
Administration expenses	90
Total	3,026
Employer contributions	913

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 2015-16 are £913,000 (2014-15: £1,814,000).

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, £93,586 is due from HMRC (2014: £34,530). A further amount of £34,994 is due from current employees of the Commission and is to be collected through regular payroll deductions (2014: £32,439). 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.

	2015	2014
	£000	£000
Value of interest yielding deposits at 31 March	2,733	2,591
Income effect of a 1% increase in interest rates	27	26
Income effect of a 1% decrease in interest rates	(27)	(26)

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 £2,732,899 (2013-14: £2,591,093). 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 2015 £000	31 March 2014 £000
Buildings - amounts payable:		
Not later than one year	666	812
Later than one year and not later than five years	578	290
Later than five years	-	-
Total	1,244	1,102
Other - amounts payable:		
Not later than one year	5	14
Later than one year and not later than five years	9	23
Later than five years	-	-
Total	14	37

14.2 Description of significant lease arrangements

During 2014-15, the Commission occupied 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 lease for the York office expires in July 2015 and in March 2015 the Commission vacated this office and moved into Government (DEFRA) owned property under a MOTO. The MOTO for the York office has a break option in 2017.

The lease for the Coventry office expires in September 2015 with no break options.

The MOTO for the London office has a three month notice period.

15 Capital Commitments

The Commission was not contractually committed to any expenditure on non-current assets at 31 March 2015 (2013-2014: nil).

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. The Commission occupies premises in London where DCLG acts as the landlord. In 2014-15 rent of £280,775 was payable to DCLG. At 31 March 2015, £280,775 is outstanding to DCLG and is included in accruals (note 10).

In March 2015, the Commission's York office relocated to premises where DEFRA acts as landlord. DEFRA is regarded as a related party. There was no rent payable during 2014-15.

In May 2014 a joint convergence committee, chaired by Sir Jon Shortridge, who also chairs both organisations' Audit Committees was established. PHSO is regarded as a related party. There have been no financial transactions with PHSO in 2014-15.

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 no significant losses or special payments were made (2013-14: £55,047).

18 Events Occurring since the Reporting Date

During 2014-15 the Executive Team comprised of two Executive Directors, and the Commission Operating Officer, who was also the Accounting Officer. In May 2015 the Executive Team was restructured and from 1 May the role of the Commission Operating Officer was made redundant. The Executive Team now comprises a Chief Executive, Michael King, who is also the Accounting Officer, plus an Executive Director of Investigations, Nigel Ellis.

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

Annex A: Accounts Direction for the Commission for Local Administration in England

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR COMMUNITIES AND LOCAL GOVERNMENT WITH THE CONSENT OF THE TREASURY

1. The annual accounts and financial statements of the Commission for Local Administration in England (hereafter in this accounts direction referred to as "The Commission") shall give a true and fair view of the income and expenditure and cash flows for the financial year and the state of affairs at the year end. Subject to this requirement, the financial statements and accounts for 2014/15 and for subsequent years shall be prepared in accordance with:

- (a) the accounting and disclosure requirements given in the Government Financial Reporting Manual issued by the Treasury ("the FReM") as amended or augmented from time to time, and subject to Schedule 1 of this direction;
- (b) any other relevant guidance that the Treasury may issue from time to time;
- (c) any other specific disclosure requirements of the Secretary of State;

insofar as these requirements are appropriate to the Commission and are in force for the period for which the accounts are prepared, and except where agreed otherwise with the Secretary of State and the Treasury, in which case the exception shall be described in the notes to the accounts.

2. Schedule 1 to this direction gives clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards and also gives any exceptions to standard HM Treasury requirements.

3. This direction shall be reproduced as an appendix to the accounts.

4. This direction replaces all previously issued directions.

Signed by authority of the Secretary of State

David Kuenssberg

Signed by an officer in the Department for Communities and Local Government

Date 3rd July 2014

SCHEDULE 1

The accounts for the period ended 31/03/2015 shall be signed and dated by the Accounting Officer.

ADDITIONAL DISCLOSURE REQUIREMENTS

The following information shall be disclosed in the Annual Accounts and Financial Statements, as a minimum, and in addition to the information required to be disclosed by paragraph 1 of this direction.

(a) an analysis of grants from:

- (i) government departments
- (ii) European Community funds
- (iii) other sources identified as to each source;

(b) an analysis the total amount of grant from the Department for Communities and Local Government, showing how the grant was used;

(c) an analysis of grants included as expenditure in the income and expenditure account and a statement of the total value of grant commitments not yet included in the income and expenditure account;

(d) details of employees, other than board members, showing:

- (i) the average number of persons employed during the year, including part-time employees, agency or temporary staff and those on secondment or loan to the Commission, but excluding those on secondment or loan to other organisations, analysed between appropriate categories (one of which is those whose costs of employment have been capitalised)
- (ii) the total value of loans to employees
- (iii) employee costs during the year showing separately:
 - (1) wages and salaries
 - (2) early retirement costs
 - (3) social security costs
 - (4) contributions to pension schemes
 - (5) payments for unfunded pensions
 - (6) other pension costs
 - (7) amounts recoverable for employees on secondment or loan to other organisations

The above analysis shall be given separately for the following categories of employees:

- (i) employed directly by the Commission;
- (ii) on secondment or loan to the Commission;
- (iii) agency or temporary staff;
- (iv) employee costs that have been capitalised.

(e) a statement of debts written off and movements in provisions for bad and doubtful debts;

(f) a statement of losses and special payments during the period, being transactions of a type which Parliament cannot be supposed to have contemplated. Disclosure shall be made of the total of losses and special payments if this exceeds £250,000, with separate disclosure and particulars of any individual amounts in excess of £300,000.

Disclosure shall also be made of any loss or special payment of £300,000 and below if it is considered material in the context of the Commission's operations.

*(g) particulars, as required by the accounting standard on related party disclosures, of material transactions during the period and outstanding balances at the year end (other than those arising from a contract of service or of employment with the Commission, between the Commission and a party that, at any time during the year, was a related party). For this purpose, notwithstanding anything in the accounting standards, the following assumptions shall be made:

- (i) transactions and balances of £5,000 and below are not material
- (ii) parties related to board members and key managers are as notified to the Commission by each individual board members or key manager
- (iii) the following are related parties:
 - (1) subsidiary and associate companies of the Commission;
 - (2) pensions funds for the benefit of employees of the Commission or its subsidiary companies (although there is no requirement to disclose details of contributions to such funds);
 - (3) board members and key managers of the Commission;
 - (4) members of the close family of board members and key managers;
 - (5) companies in which a board member or key manager is a director;
 - (6) partnerships and joint ventures in which a board member or key manager is a partner or venture;
 - (7) trusts, friendly societies and industrial and provident societies in which a board member or key manager is a trustee or committee member;
 - (8) companies, and subsidiaries of companies, in which a board member or key manager has a controlling interest;

- (9) settlements in which a board member or key manager is a settler or beneficiary;
- (10) companies, and subsidiaries of companies, in which a member of the close family of a board member or key manager has a controlling interest;
- (11) partnerships and joint ventures in which a member of the close family of a board member or key manager is a partner or venture;
- (12) settlements in which a member of the close family of a board member or key manager is a settler or beneficiary;
- (13) the Department for Communities and Local Government, as the sponsor Department for the Commission.

For the purposes of this sub-paragraph:

- (i) A key manager means a member of the Commission's Executive Team including the ex-officio and advisory members.
- (ii) The close family of an individual is the individual's spouse, the individual's relatives and their spouses, and relatives of the individual's spouse. For the purposes of this definition, "spouse" includes personal partners, and "relatives" means brothers, sisters, ancestors, lineal descendants and adopted children.
- (iii) A controlling shareholder of a company is an individual (or an individual acting jointly with other persons by agreement) who is entitled to exercise (or control the exercise of) 30% or more of the rights to vote at general meetings of the company, or who is able to control the appointment of directors who are then able to exercise a majority of votes at Commission meetings of the company.

* Note to paragraph (g) of Schedule 1: under the Data Protection Act 1998 individuals need to give their consent for some of the information in these sub-paragraphs to be disclosed. If consent is withheld, this should be stated next to the name of the individual.

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