

Local Government  
**OMBUDSMAN**

Commission for  
Local Administration in England

**Annual Report & Accounts  
2015-16**

**Equipped for the future**





# Commission for Local Administration in England

## **Local Government Ombudsman**

### Annual Report & Accounts 2015-16

(for the year ended 31 March 2016)

Accounts presented to the House of Commons pursuant to Section 7 of the  
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Annual Report presented to Parliament pursuant to Section 23A(3A) of the Local  
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Accounts presented to the House of Lords by Command of Her Majesty

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# Foreword



I am pleased to present the Annual Report and Accounts for the Commission for Local Administration in England (also known as the Local Government Ombudsman) for the year ended 31 March 2016. This is my final Annual Report as Chair of the Commission and as Local Government Ombudsman.

When I joined the LGO in January 2010 I could hardly have imagined the changes we would see by the end of my term of office seven years later. We were granted statutory powers to investigate complaints about all registered social care providers, in effect becoming the social care ombudsman. We now operate with one ombudsman not three, giving greater clarity of leadership and consistency of decision making. We have moved our headquarters from central London to Coventry and relocated other offices into shared accommodation, saving taxpayers around £1,000,000 a year and providing an environment more suited to modern and flexible working practices. We have transformed our investigation process, allowing us to resolve complaints more quickly and

effectively, and publish all our decisions on-line.

Comparing the business year 2011-12 to 2015-16 shows the increased value for money the LGO now provides whilst improving our performance. During this period we have reduced expenditure by 37% and staffing by 28%. Productivity has been increased by 31%, as calculated by decisions taken per investigator, which now stands at 131, and casework completion rates are also improved; up by 35 percentage points at 13 weeks and up by 14 percentage points at 26 weeks respectively.

Despite this period of unprecedented change the core purpose of the Local Government Ombudsman has not changed. We remain committed to remedying the injustice that people can experience when public services get things wrong and to using the learning from our investigations to improve those local services. This was the unique role that we were tasked with when Parliament established the scheme in 1974; it was the role that I was appointed to in 2010; and it is the role that we continue to deliver in 2016.

This year's Annual Report demonstrates that the organisation continues to improve. We have once again met or exceeded targets for completing investigations which helps to ensure that we deliver swift redress. As indicated in the following Performance Report, in this last year we have completed 80% of cases within 13 weeks against a target of 65%. With only three instances of non-compliance we also continue to provide effective redress by ensuring bodies in our jurisdiction deliver on the recommendations we make. Most notably, we are now meeting targets set for customer satisfaction with 96% of customers who were happy with the outcome of their complaint also satisfied with the service they received from us. This is an important development that is evidence of our commitment to providing a high quality service.

For the first time we have also been able to measure the impact of our investigations at the local level. Our recent research shows that nearly all local authorities confirm that local service improvements have been influenced by Ombudsman recommendations. We now

need to ensure that the same impact is felt by the wider care sector so that we as social care ombudsman can play a full part in making the system more responsive to the needs of users.

The transformation that the LGO has undergone over the last six years and the high performing environment that we sustain, places us in a strong position to meet the challenges that my successor will face. And those challenges may be considerable.

The Cities and Devolution Act continues what is arguably the biggest reform of local government in a generation. The development of combined authorities and the increasing involvement of private providers are changing the relationship between the citizen and public service providers. Proposed new powers for Police and Crime Commissioners and a growing number of elected mayors are changing the way that local services are scrutinised and held to account. LGO faces the challenge of remaining relevant in a new local services landscape. We need to ensure we have

the appropriate powers and authority to remedy injustice and can provide a service which best meets the needs of local people. We will also need to make sure that our advice and guidance impacts on all service providers and accountability structures. We have already started to work with the nascent combined authorities and will continue to do so over the coming year as we develop principles for effective complaints systems that are relevant to this new world of local government.

The future may also herald significant opportunities. We have long argued that users of all publicly funded services should have access to an independent ombudsman when those services let them down. We were therefore pleased to see that the Government confirmed their commitment, in the Education White Paper published in March, to give parents an easier route to escalate their concerns about schools to an ombudsman. This is an opportunity to build upon our existing jurisdiction over school admission appeals for maintained schools and draw on our previous experience of investigating complaints about schools. We look forward to

supporting government to make this a reality.

However, there is perhaps no greater opportunity than that of supporting the development of a single ombudsman for all public services in England. One of my greatest concerns during my time as Ombudsman has been to see the increasingly complex maze that the public have to navigate when they have a complaint about a public service. Whilst we have taken steps to make it easier to access our service it is clear that more systematic reform is needed if people are to have a public services complaints system that is accessible and effective.

During the course of this year we have been working closely with the Cabinet Office to ensure that our 40 years of experience in investigating and remedying complaints informs the development of draft legislation to establish a Public Ombudsman Service.

Establishing a clearer, easier and more effective route to redress is a prize that is too important to the public to be lost. I hope that my successor will grasp this opportunity with the same enthusiasm and commitment that I have over recent years.

I want to thank all those people who have brought their complaints to us over the last six years. By speaking up and sharing experiences of local services you can feel reassured that your voice has helped to make those services better for others. I also want to thank those many front line public servants who have worked constructively with us to resolve complaints, often in the face of resource challenges and sometimes within organisations that have been resistant to change.

I also want to thank the members of the Commission, both past and present, who have worked with me as

Chair in holding the LGO to account for its performance and in supporting the organisation during a period of transformation.

Finally I want to express my thanks to all those who have worked at the LGO during my time here. Your commitment to what this organisation stands for is clear and has allowed the LGO to meet its challenges and to be ready for what the future has in store. The successes during my time in office are your successes and you can all feel proud of what we have achieved together.

### **Dr Jane Martin**

Chair, Commission for Local Administration in England

Local Government Ombudsman



# Who we are, what we do

“The recent ruling by the Local Government Ombudsman ... should be a wake-up call for everyone in government. As the Ombudsman said, it is not enough for councils just to pay lip service to the [Armed Forces] Covenant; they must adhere to the spirit, as well as the letter, of the pledge.”

**Philip Hammond,**  
Foreign Secretary

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

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

We do not take sides. Our role is to provide an independent and impartial view on a complaint - we are neither a consumer champion nor a representative for service providers.

Public services and social care providers should be able to resolve complaints directly without requiring users to escalate their complaint to us. For this reason we usually

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 who 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 these 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. The Executive Team are accountable to the Local Government Ombudsman and Chair of the Commission for Local Administration, Dr Jane Martin.

The Commission operates as the board of the Local Government Ombudsman. It sets the strategic priorities for the organisation and provides scrutiny and challenge on our performance against those priorities.

# 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  
and Health Service  
Ombudsman



**Sir Jon  
Shortridge**  
Advisory Member  
and Independent  
Chair of the Audit  
and Risk Assurance  
Committee

## The Executive Team\*



**Michael King**  
Chief Executive



**Nigel Ellis**  
Director of  
Operations

(\* Michael King was appointed as Chief Executive on 1 May 2015. Heather Lees was employed as the Commission Operating Officer until 8 May 2015.)

# Who we are, what we do

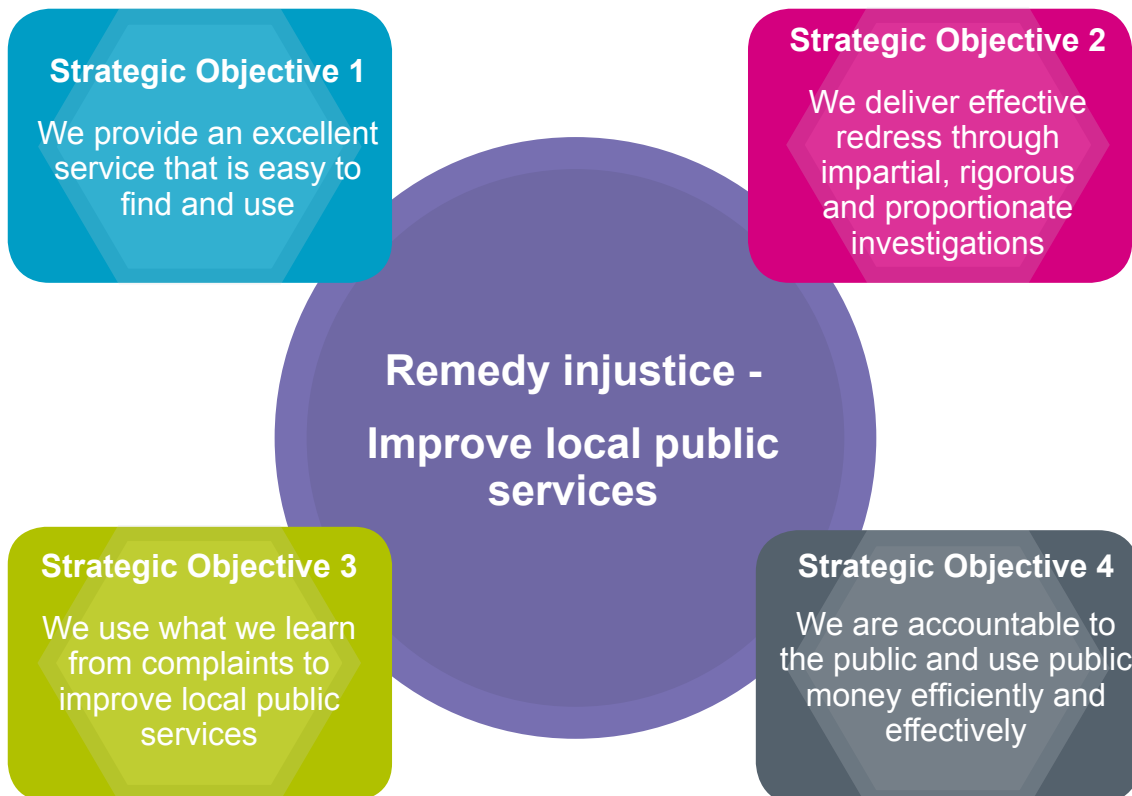
## Our Strategic Objectives 2015-18

The Local Government Ombudsman was established by Parliament for two very clear purposes:

To remedy injustice - through our independent and impartial investigations we are able to secure a remedy for people that have experienced injustice as a result of the actions or inactions of a local service.

To improve local services - by sharing the learning from our investigations with all service providers, and by supporting democratic scrutiny of those services, we ensure that complaints become a tool for local service improvement.

In meeting these dual roles the Commission has set four strategic objectives against which we measure our performance.



# Chief Executive's performance report

Our performance against our four strategic objectives has continued to improve this year.

## **Strategic Objective 1: an excellent service that is easy to find and use**

We set ourselves clear targets for the time our investigations take. I am pleased to report that we have met or exceeded our time targets this year with 80% of investigations being completed within 13 weeks (against a target of 65%); 91% of investigations completed within 26 weeks (target - 85%) and 99% being completed within 52 weeks (target - 99%).

We have also set ourselves challenging targets for customer satisfaction. When we measure satisfaction with our service we set separate targets for those people who are also satisfied with the outcome and those people who are not satisfied with the outcome. We have seen increasing satisfaction for both these groups over the year with:

- > 96% of customers satisfied with both the outcome and our service (against a target of 95%), and
- > 22% of customers not satisfied with the outcome but satisfied with our service (against a target of 20%).

We continue to carefully monitor the number of complaints we receive about our service. Of the 142 service complaints we received we upheld 39. Our independent External Reviewer, who provides us with assurance

that service complaints are being dealt with properly, felt we dealt appropriately with all the service complaints he reviewed during the year.

## **Strategic Objective 2: delivering redress through impartial, rigorous and proportionate investigations**

One of our key quality measures is whether decision statements meet the standard we require to be published. Our quality in this area has steadily improved and now stands at 92%.

We saw a small drop in both the number of requests for reviews of our decisions and the proportion where our decision making was not of the required standard (from 8% of all complaints and enquiries to 6% this year). I am pleased to report that in the vast majority of cases our decision making was shown to be sound.

## **Strategic Objective 3: learning from complaints to improve public services**

We continue to share our learning to inform, shape and improve local service delivery. During the year we published 28 public interest reports to help local authorities and care providers apply lessons learnt to their own services and three focus reports to highlight the trends and/or recurrent issues we see across different councils or providers. We also now have more than 24,000 decision statements on our [website](#).

We launched an annual survey of bodies within our jurisdiction

to identify the impact of our external work. Of the councils that responded, 98% said that our investigations are having an impact on improving local public services. The results of a similar survey with independent care providers shows that we need to do more to promote our role as the social care ombudsman in the independent care sector and we will focus on increasing our visibility in this sector over the coming year.

In the last year we also used our unique perspective and insight to train more than 700 frontline council complaints staff and people in the independent care sector.

## **Strategic Objective 4: using public money efficiently and effectively**

We continued our efficiency journey in 2015-16 with 2015 marking the end of the current spending review. The final stage of the process was the relocation of our Coventry head office from privately leased premises into Government Estate. This project came in under budget enabling us to return over half a million pounds to the sponsor Department within year.

Our complaints handling performance, our commitment to delivering redress, sharing the wider learning and to meeting the challenge of using public money efficiently and effectively all demonstrate that we are delivering well as an organisation.

# Performance overview 2015-16

Final two offices  
relocated - from  
private leases to  
Government  
Estate at lower  
cost



Customer  
satisfaction  
targets met or  
exceeded



Over 20,000  
complaints &  
enquiries  
resolved



More than 99% of our  
recommendations  
actioned by  
council or  
care provider



98% of councils agree  
that our decisions  
impact on local service  
improvements



All targets for  
completing  
investigations  
met or  
exceeded



## Strategic Objective 1: an excellent service that is easy to find and use

In 2015-16 we dealt with approximately 65,000 individual contacts. From those we registered 20,102 new complaints and enquiries, a comparable number to the previous financial year. Wherever possible and appropriate we will seek to quickly resolve many of those queries at first telephone contact by responding to the caller's queries and concerns and providing advice about our role or how the complaints process works. However, 11,833 complaints required further consideration by us and were referred to our assessment team. Below we explain how we were able to assist in those cases.

We decided  
**11,833**  
complaints  
(compared to  
11,094 in  
2014-15)

Where the complaint did not require us to investigate in detail we helped **7,041** (compared to 6,314 in 2014-15) people by explaining:

- > Why the issue is not in our jurisdiction and who else may be able to help
- > Why a detailed investigation could not be pursued by us

**4,792**  
cases were  
decided after a  
detailed investigation  
(compared to  
4,780  
in 2014-15)

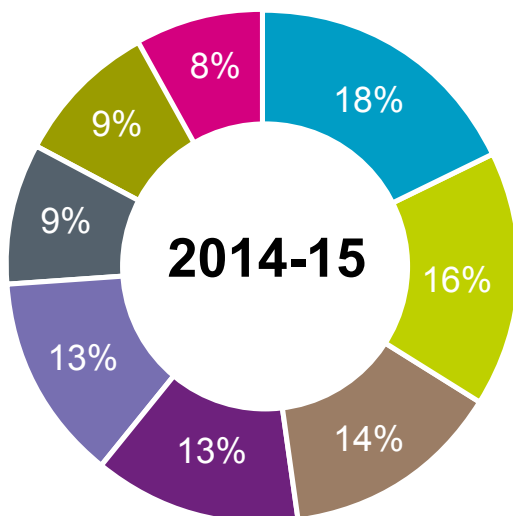
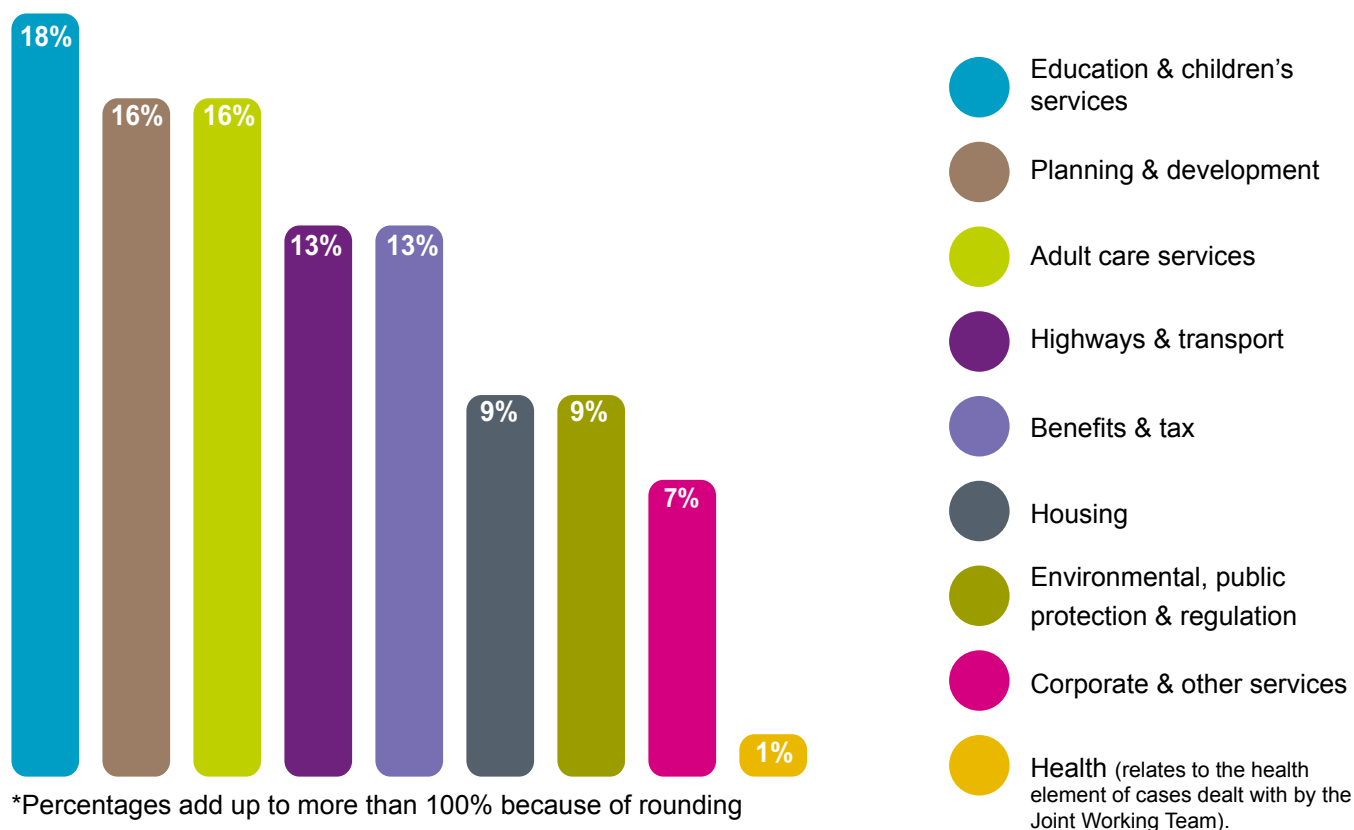
We resolved those complaints by:

- > Identifying the failings and securing an agreement to put things right or making recommendations on remedying the issues
- > Fully investigating and providing reassurance that the body had acted correctly or that the issues caused no adverse consequences

## Strategic Objective 1: an excellent service that is easy to find and use

The issues that we help people with cover the wide range of local services that people use. As in previous years education and children’s services, adult care services, and planning and development are the areas that give rise to the highest numbers of complaints - together they account for around 50% of all complaints to our office. 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.

### Breakdown of complaints received by category 2015-16\*



## Strategic Objective 1: an excellent service that is easy to find and use

### How we measure our performance

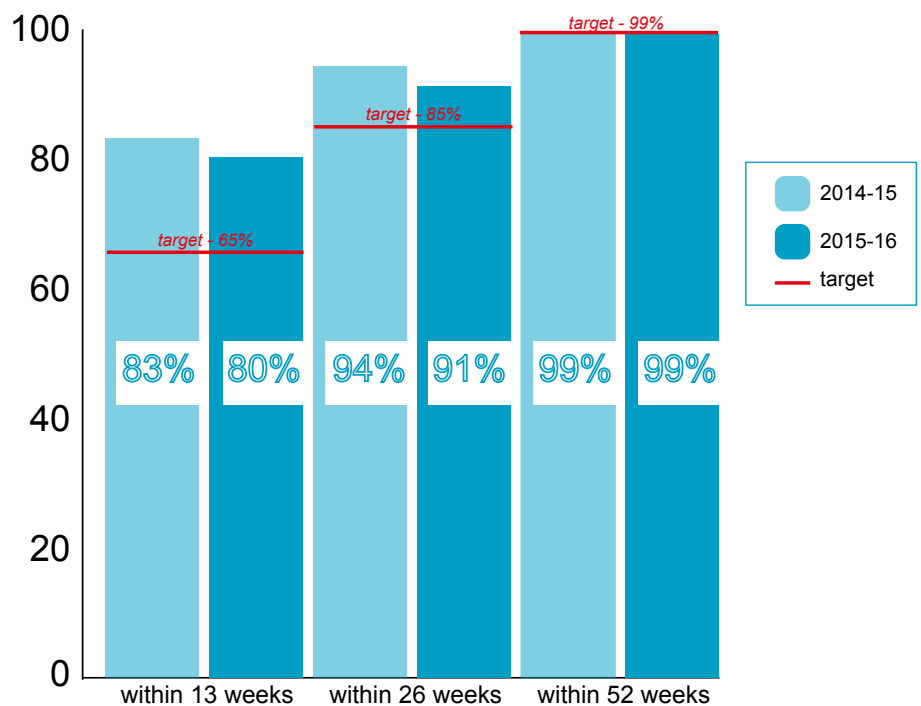
To measure our success in meeting Strategic Objective 1 we use the following indicators and sources of data:

Indicator	Data Sources
Time taken to complete an investigation	Case management system reports
Customer feedback on overall satisfaction with our service	Customer satisfaction research
Outcome of complaints about our service	Core management information Feedback from External Reviewer

### Speed of investigations

The LGO is the final stage of an often complex and time consuming complaints process. Our customers tell us that they are looking for us to make a swift decision on their complaint. We set ourselves clear targets for the time our investigations take which ensure timely outcomes and which also reflect the varying complexity of issues that we consider.

This year we have continued our strong performance in this regard by meeting or exceeding each of our time targets.





## Strategic Objective 1: an excellent service that is easy to find and use

“It is reassuring to have the LGO in place - I felt that I had been repeatedly fobbed off by the council and that they had not taken my complaint seriously, so it was such a relief when they finally accepted liability and issued an apology, which would not have been possible without the LGO.”

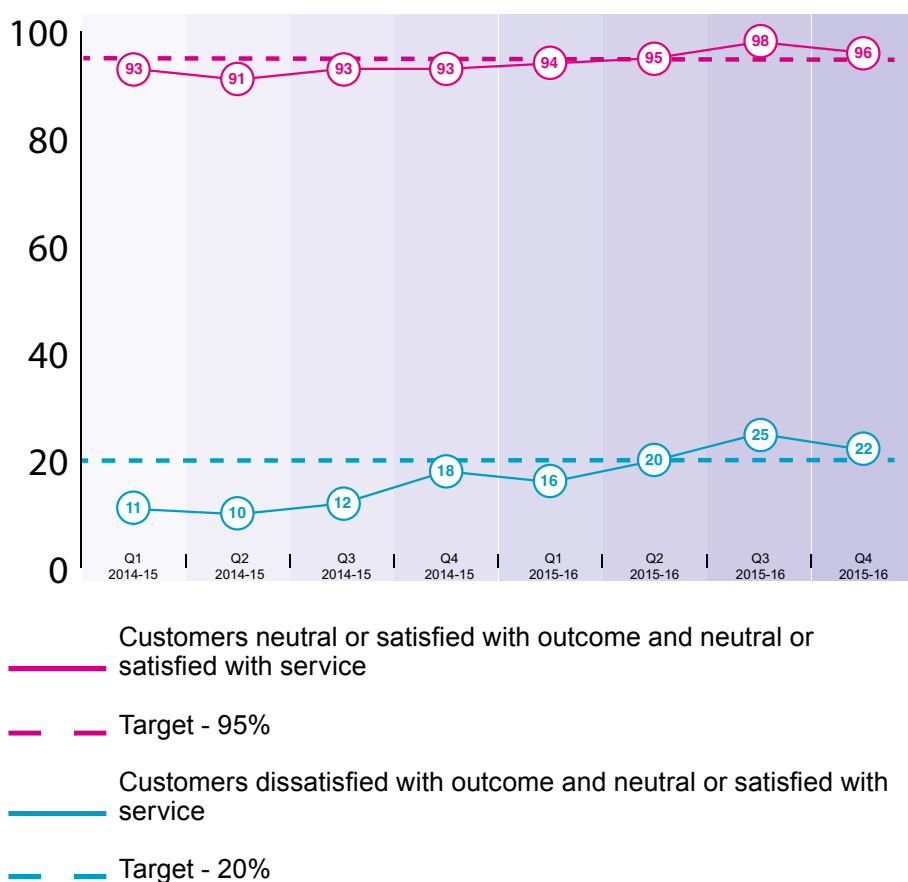
Feedback from LGO customer

### Customer satisfaction

At the heart of Strategic Objective 1 is the quality of the service that we deliver. When measuring against that standard the most important voice for us to listen to is the voice of the people that use our service- our customers.

In common with other ombudsmen we see a direct link between the outcome of a complaint and satisfaction with our service. Where a complaint is upheld we would expect to see higher levels of satisfaction. For this reason when we measure satisfaction with our service we set separate targets for those who are also satisfied with the outcome compared to those who are not satisfied with the outcome. Over the last 12 months we have seen increasing levels of satisfaction with our service for both of these groups. This increasing satisfaction has been especially strong for those who were not satisfied with the outcome of their complaint.

### Satisfaction with service



## Strategic Objective 1: an excellent service that is easy to find and use

Whilst this improving satisfaction with our service is welcomed we believe there is always more we can do to learn from the feedback we receive. Understanding whether people are happy with our service is important. However, understanding why they are satisfied or dissatisfied is what allows us to continuously improve our service.

In the last few months we have developed a quality process that allows us to gain more detailed learning from customer feedback. On a quarterly basis we review a sample of investigation files where the customer provided positive feedback on our service. This review looks for examples of best practice that we can share with our investigators and encourage people to apply in their own work. Similarly we review a sample of files where the customer was not happy with the service we provided. This allows us to identify aspects of our service that we need to improve.

The first of these reviews took place in the final quarter of this year. Some of the key learning points that we took from that review were:

- > Effective use of the telephone helps us to explain our decisions more clearly and gives customers an opportunity to share their views more easily
- > We have significant areas of discretion in exercising our statutory powers. Providing clear explanations about what factors we consider when applying that discretion helps to demonstrate that we have acted fairly and transparently

### Complaints about our service

Whilst in most cases we deliver a high quality service, we recognise that we do not always meet the standards we or our customers expect. Sometimes we give people cause to complain about the service they have received. Last year we received 142 complaints about our service which represented just 0.7% of all our casework. In each of those we fully investigated those concerns and established that we had not provided an appropriate level of service in 39 cases, the same number as last year. In half of those cases we took too long to do something. Where our service was not good enough we took steps to correct the failings in our service and to learn from those mistakes - exactly the actions that we would expect a body in our jurisdiction to take.

To provide further assurance that we address complaints about our service fairly and effectively we have appointed an independent person to act as an External Reviewer. 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 are publicly available on our [website](#).

## Strategic Objective 1: an excellent service that is easy to find and use

### The risks to our performance and how we deal with them: Strategic Objective 1

We actively monitor and mitigate any factors that might prevent us from delivering a high quality and accessible service. This is one of our six key strategic risks. To assess and control the level of risk in this area we particularly track the following indicators:

- > Our performance against our published standards
- > Changes in customer satisfaction
- > Changes in the volume of incoming cases
- > Any external criticism of our performance

We have rated the level of risk in this part of our business at Amber (the medium rating) for most of this year. This was the result of an elevated level of risk arising from significant pressures on our casework capacity during the year, and specifically on our ability to allocate cases for investigation within target timescales. Risk against all other indicators was low. Further details are set out below, against the four key indicators.

#### Performance against published standards

This indicator has highlighted elevated levels of risk this year. Progress against published standards is reported to the Commission every quarter. LGO has met and exceeded most key performance targets throughout the year. However, for much of 2015-16 the number of unallocated complaints exceeded acceptable levels. This was caused in part by difficulties in being able to advertise for, and recruit, investigative staff. These

pressures have been actively addressed throughout the year as a priority issue by the LGO's Executive Team and casework managers. The action taken has included the recruitment of new investigative staff up to agreed establishment levels and an ongoing management focus on productivity, performance and the streamlining of casework systems.

The success of these interventions is now reflected in reduced numbers of unallocated cases and a reduction in the time taken

to allocate. We are confident that the current performance data monitoring systems enable us to quickly identify and respond to changes in core casework indicators. The increased stability in our performance and casework allocations over the past year, coupled with the mitigating action we have taken, indicates that we are successfully managing this risk.

## Strategic Objective 1: an excellent service that is easy to find and use

“Everything was explained to me and I had ample opportunity to put my views forward during the process.”

### Feedback from LGO customer

### Changes in customer satisfaction

This indicator reflects low levels of risk this year. We offer every customer the opportunity to provide us with feedback on their experiences at the end of each investigation. This data is reported quarterly to our staff, the LGO Leadership Team and to the Commission. During the year customer satisfaction has improved against targets.

Customer satisfaction is also tracked through the number of complaints we receive about our service. There has been a slight increase in the number of complaints about our service this year (from 107 to 142), however this equates to a rise of just 0.2% (from 0.5% to 0.7%) of all complaints and enquiries we received. This is not a significant indicator of increased risk.

### Changes in the volume of incoming cases

This indicator reflects low levels of risk this year. The number of new cases received forms part of our performance report which is presented to Commission every quarter. We received 20,102 new complaints and enquiries this year compared with 20,286 last year (a difference of 184). This is not a significant indicator of increased risk.

### External criticism of our performance

This indicator reflects low levels of risk this year. The tone of media coverage of the LGO's work is monitored and reported quarterly to the Commission. Negative coverage has been negligible throughout the year.

The Commission also seeks external feedback from an independent External Reviewer on the way in which it handles complaints about its own service. He produced two reports this year, in which he found that all service complaints were dealt with appropriately by managers. His annual letter to the Commission is included in this report on page 50.

## Strategic Objective 2:

### delivering effective redress through impartial, rigorous & proportionate investigations

#### Introduction

An investigation by the Local Government Ombudsman is usually the only stage in the complaints process where the issues have been considered by someone who is completely independent of the body complained about. Our involvement can provide people with reassurance that their complaint has been considered thoroughly, fairly and impartially.

Many people will approach us to help because they have not yet been provided with an effective remedy for the injustice they have been caused. It is essential we conduct our investigations so that we can get to the heart of the issues, provide an appropriate and well reasoned outcome and achieve a suitable remedy.

#### How we measure our performance

To measure our success in meeting Strategic Objective 2 we use the following indicators and sources of data:

Indicators	Data Sources
Quality of our decision statements	Quarterly review of decision statements
Outcome of review requests	Core management data
Achieving remedies to our satisfaction	Casework management system reports

#### Quality of our decision statements

We review a sample of our decision statements on a quarterly basis. This review looks at the quality of the decision making, the consistency of outcomes and the clarity of how we have explained the decision. As a result, the review will determine what proportion of our decisions meet the required standards for publication.

When we first started to publish all of our decisions in 2012 only 56% were found to meet those standards. In 2014-15 we were pleased to report that over 80% of decisions were considered to be publishable. However, over the last 12 months we have continued to improve the quality of decision statements with 92% now meeting our quality standards. This does not mean that the decisions were wrong in the other 8% of cases. Typically we decide that cases do not meet our standards because they could have been written in plainer English, did not follow our standard structure or included extraneous detail that did not add to the decision.

## Strategic Objective 2:

### delivering effective redress through impartial, rigorous & proportionate investigations

#### Review requests

As we are the final stage of the complaints process it is right that we provide our customers with an opportunity to seek a review of our decision where we have made a mistake or new information has arisen.

As we invite comments on our decisions before they are finalised most people are satisfied that they have had an opportunity to make further representations. However, in those cases where there are legitimate concerns it will be reviewed by a senior member of staff who has had no previous involvement with the complaint.



Over the last 12 months we have seen a small drop in the number of review requests. We have also seen a reduction

in the proportion where our decision making was not of the required standard from 8% to 6% (this is 0.6% of the complaints we decided). This indicates that we can be confident that we provide a high quality of decision making.

#### Achieving remedy

Once we have completed our investigation we have powers to make recommendations for any actions that might be needed to remedy the injustice we have found. Many people that complain to us are often seeking an acknowledgment that they were right to raise their concerns and want the council or care provider to demonstrate that they understand the consequences that this has had. For this reason many of our decisions will include a recommendation that an apology is given by the body concerned.

We are also able to seek very practical remedies, tailored to the needs and circumstances of the individual that has experienced injustice. Providing a fresh appeal to a family whose school admission appeal was not considered correctly; relocating a bin store to resolve a complaint from a man whose sleep was continually disturbed by council contractors; putting in place

a new plan for a child whose special educational needs were not being met; holding a public meeting to discuss the closure of a leisure centre following a failure to properly consult with the community. These are just a few of the thousands of practical remedies that we have recommended and obtained over the last year.

Whilst we recognise the financial pressures that service providers face, we can, and do, also make recommendations for financial redress when this is considered to be appropriate. Often this has been where the actions of the council or care provider have placed the service user in a worse financial position. Over the last 12 months examples of this type of remedy have been to recommend a payment where a council failed to provide the right level of Direct Payments for a person's care; reimbursing the costs incurred by a parent when their child was wrongly denied school transport provision; paying back top up fees that were wrongly charged by a private provider for residential care.

When Parliament gave us powers to make recommendations they recognised the local democratic accountability that

## Strategic Objective 2:

### delivering effective redress through impartial, rigorous & proportionate investigations

councils have through elected members. For this reason our recommendations are not binding.

However, by conducting thorough and proportionate investigations we are able to achieve a remedy in the vast majority of cases. Over 99% of recommendations were complied with during the last 12 months, despite the fact that we do not have powers to enforce them.

In those few cases where our recommendations were not implemented we used our statutory powers to ensure that the council or care provider were publicly accountable for their decision not to provide a remedy. This involves us requiring the publication of a notice in the local press. Over the last 12 months we have only needed to issue three such notices.

These figures show that the public can feel reassured that, where their complaint is upheld, they will receive a suitable remedy or the organisation will be held to account publicly for their refusal to put matters right.

### The risks to our performance and how we deal with them: Strategic Objective 2

We actively monitor and mitigate any factors that might prevent us from delivering effective redress through impartial, rigorous and proportionate investigations. This is one of our six key strategic risks. To assess and control the level of risk in this area we particularly track the following indicators:

- > Quality of our casework
- > Trust from users of our service
- > The professionalism and professional practice of staff

We have rated the level of risk in this part of our business at Green (the lowest rating) for most of this year. Further details are set out below, against the three key indicators.

#### Quality of our casework

This indicator reflects low levels of risk. The number of decision statements meeting our quality standards continues to improve and now stands at 92%. The feedback from our decision statement reviews is fed back in detail to the individuals whose statements have been monitored and data is reported quarterly to all staff, the LGO Leadership Team and to the Commission.

To be assured of the level of risk we need to be confident that the quality monitoring system itself is robust. The system has been audited this year through our internal audit system. The audit provided assurance and was positive

about this aspect of our work. The audit did highlight two specific areas where more work is needed to enhance the adequacy of arrangements. Specifically it highlighted the need for customer service training to be routinely provided to all employees. We will be implementing this recommendation through our 2016-17 business plan.

The audit also recommended that we put in place processes to make greater use of the valuable customer satisfaction data we collect. We have implemented this recommendation with the first reporting under this new approach happening in the final quarter of 2015-16. This data is reported quarterly to

## Strategic Objective 2:

delivering effective redress through impartial, rigorous & proportionate investigations

“Our council, with the support of the complaints team, carries out a root cause analysis for each upheld complaint...The root cause analyses lead to service improvements that senior officers are charged with embedding.”

Local Authority

the LGO Leadership Team and to the Commission. On the basis that we are implementing the recommendations from the audit we are confident we are successfully managing this risk.

### Trust from users of our service

This indicator reflects low levels of risk. In the last year there have been three instances of non-compliance with report recommendations. Whilst this is in itself exceptional, we do not believe that this represents a trend, rather a reflection of specific individual circumstances in each case. This is not a significant indicator of increased risk.

There have been no adverse outcomes of litigation challenges.

### The professionalism and professional practice of staff

This indicator reflects low levels of risk. An indicator for a drop in the professionalism and professional practice of staff could be the number of requests for reviews of our decisions.

At the end of the process customers have the opportunity to ask us to review our decision. This review

is conducted by a senior member of staff who has had no previous involvement with their complaint. We monitor the number of review requests we receive and the outcome of those reviews and this data is reported quarterly to our staff, the LGO Leadership Team and to the Commission.

There has been a slight reduction in the number of review requests we have received this year. Last year we received 1,212 requests compared with 1,185 this year. Encouragingly we have also seen a reduction in the number of reviews we have upheld and which required us to provide clarification or undertake further work. Last year we upheld 97 reviews (8% of the number received) compared with 69 (6% of the number received) this year. This represents just 0.6% of the complaints we decided.



## Strategic Objective 3: learning from complaints to improve public services

### Introduction

Being able to remedy an injustice that an individual has experienced is just one of the statutory roles of the LGO. Using the learning gathered from individual complaints to advise on improvements to local service delivery is a key part of our role. It helps to ensure that other people do not experience similar problems and it encourages organisations to see the positive value of complaints. Perhaps more importantly, as our customers have told us, it makes the voice of individuals much more powerful by demonstrating that their complaint has made a difference.

Many of the recommendations that we make, following our investigations, focus upon improving policy and procedure. Over the last 12 months we have recommended reviews across the range of council and care services including safeguarding procedures; school transport policies; procedures for instructing bailiffs; and care home record keeping practices. We also seek to support local service improvement by recommending that training is provided to front line staff on issues as diverse as making

assessments for local welfare benefits; the proper operation of a school admissions appeal; or completing care planning documentation.

Whilst these recommendations are often focused upon one council or care provider, our commitment to using what we learn from complaints to improve local services is further demonstrated by publishing the outcomes of our investigations. Over the last 12 months we have made 11,833 individual decisions, covering the broad range of council services and social care, and have posted the decision statement on our [website](#) within three months. 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. Complaints officers have also told us that it provides a valuable resource to help them resolve complaints at the local level.

Where a council or care provider is refusing to provide a suitable remedy we will issue a public report on the complaint, as required by legislation. We will also decide to issue such a public report where the circumstances of the

individual complaint highlight issues of wider public interest. This can be where there is:

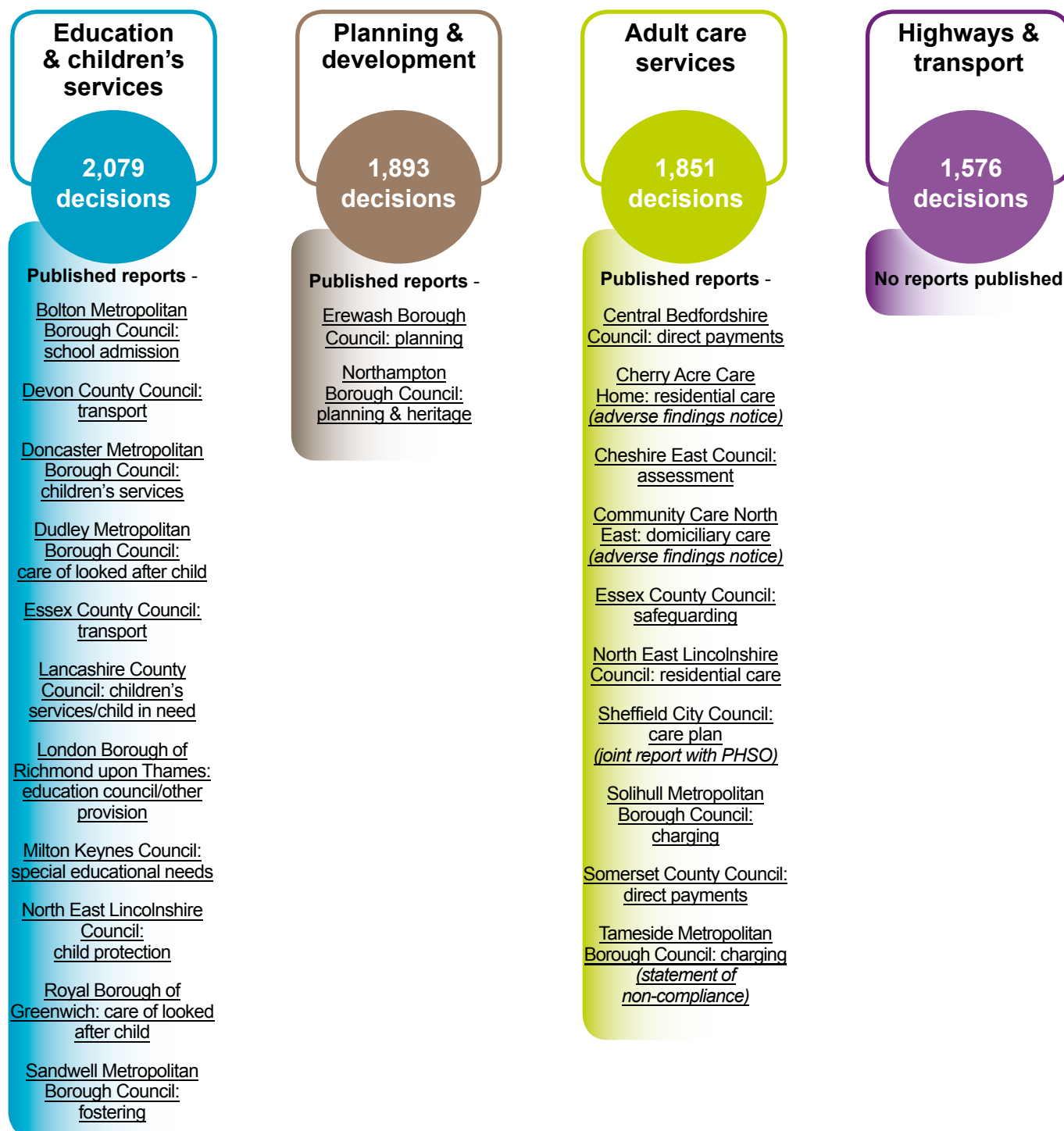
- > Recurrent fault
- > Significant fault, injustice or remedy
- > High volume of complaints about one subject
- > Significant topical issue (e.g. new legislation)
- > Systemic problems and/or wider lessons to be learnt.

In total we published 28 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 21 and 22.

## Strategic Objective 3: learning from complaints to improve public services

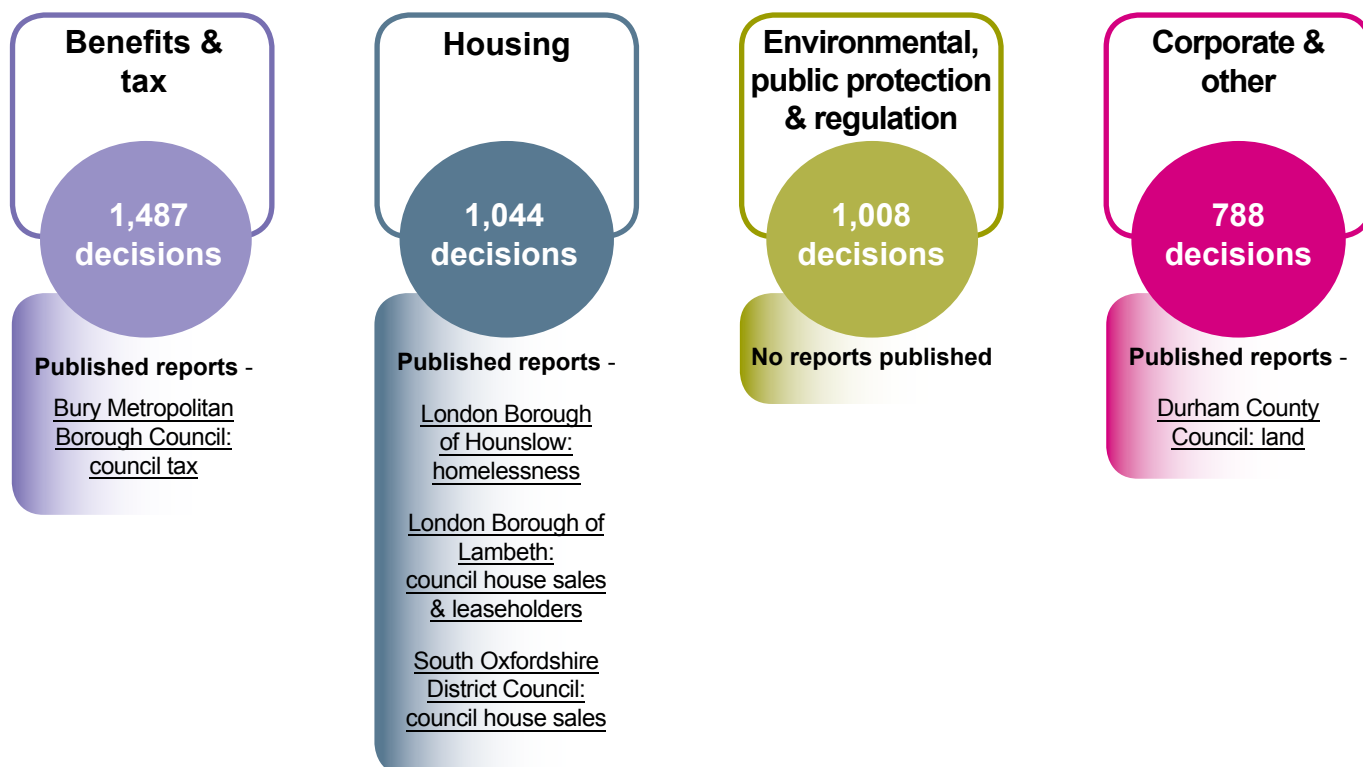
We publish every decision we make on our website - [www.lgo.org.uk/decisions](http://www.lgo.org.uk/decisions) (except where to do so would compromise the anonymity of the person making the complaint).

In cases which highlight issues of wider public interest, we publish a more detailed report of our investigation.



## Strategic Objective 3: learning from complaints to improve public services

Details of the decisions and reports we have published in the last 12 months are shown on the previous page and below. (There are 108 decisions not shown in the totals below. These decisions are not against bodies in our jurisdiction but relate to the health element of cases dealt with by the Joint Working Team.)



## Strategic Objective 3: learning from complaints to improve public services

“The council values LGO inquiries as genuine learning opportunities. It’s an important weapon in local government’s arsenal to work towards improving services to residents...each one drives change and refocuses officers’ resolve to improve services.”

Local authority

Our investigations will often highlight issues or themes that we see time and time again across different councils or providers. We have used Focus Reports as a vehicle to highlight learning opportunities to bodies in our jurisdiction, to encourage democratic scrutiny of the issues and to encourage policy makers to use the lessons from complaints to inform their work.

Over the last 12 months we have published three Focus Reports:

### Making a house a home: Local Authorities and disabled adaptations (March 2016)

We highlighted the delays that people sometimes face in being referred for support and in adaptations being carried out. The report emphasised the importance of partner agencies working together to ensure continued service.



### Full house: Councils' role in allocating social housing (January 2016)



We set out what we consider to be best practice in deciding housing applications, particularly reminding councils that their allocation schemes should not exclude those groups that fall into a protected category, such as people who are homeless.

### Counting the cost of care: the council's role in informing public choices about care homes (September 2015)

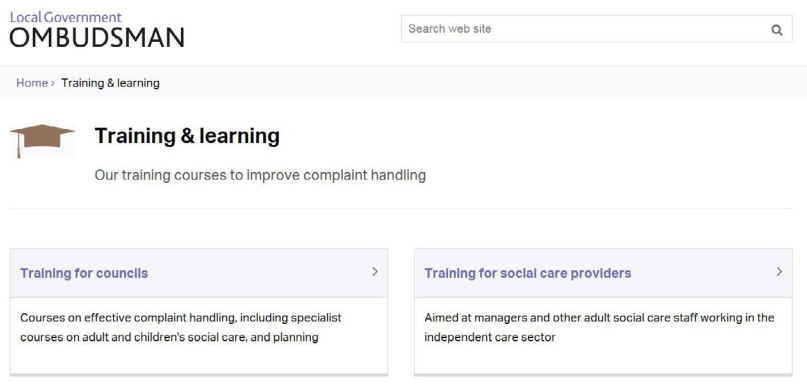
We identified the common issues we have found when investigating complaints about top-up fees for adult social care. Our report demonstrated that providing the right information at the right time is key to allowing people to make informed choices about funding their care.



## Strategic Objective 3: learning from complaints to improve public services

We also continue to publish our sector wide reviews of complaints across both local public services and social care. These reviews not only set out where services need to improve but, alongside our annual letters to chief executives, place into the public domain the complaints records of every council and care provider that we have received a complaint about.

For a number of years we have offered more direct support for local complaints systems by providing training to local authorities on effective complaint handling. In the last year we delivered 40 courses, training over 600 front line council complaints staff. In last year's Annual Report we announced that, for the first time, we had also started to offer training to private social care providers. This year, in addition to the training delivered to councils, we have also trained 115 people who work in the independent care sector.



Information about the training courses we offer are on our website at [www.lgo.org.uk/training](http://www.lgo.org.uk/training)

### How we measure our performance

To measure our success in meeting Strategic Objective 3 we use the following indicator and source of data:

Indicator	Data source
Bodies in jurisdiction evidence learning from our investigations	Annual body in jurisdiction survey

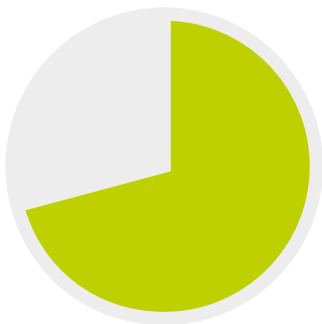
### Strategic Objective 3: learning from complaints to improve public services

We measure and report internally on the many ways that we seek to share learning. That includes looking at our levels of media coverage, the number of external publications we produce and our reach on social media. However, as well as measuring the volume produced through our communications channels we also need to know what impact they are having. It is for this reason that this year we have started an annual survey of bodies within our jurisdiction to identify what, if any, impact our work has had on helping to improve local services.

The results of this survey show that our work is supporting service improvement and accountability of local public services. Over 98% of councils that responded said that our investigations are having an impact on improving local public services.

We also carried out a survey with independent care providers, organisations that have only been in our jurisdiction since 2010, compared to the more than 40 years that we have operated our local government jurisdiction.

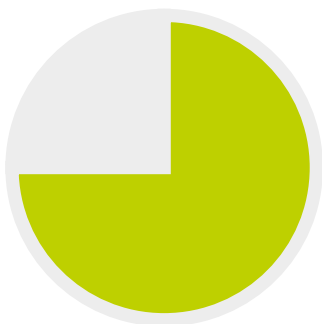
The results of this survey show that we have more work to do to promote our role as the social care ombudsman and ensure that our investigations drive improvements in the independent care sector. A quarter of respondents stated that they were unaware of the LGO's role in investigating complaints about registered care providers. Over the coming year we will be focused upon increasing the visibility of our social care jurisdiction. We will work closely with the independent care sector, advice bodies and other partners to ensure that our investigations have the same impact as they do for local public services.



71% have used decisions on our website to support good local complaint handling



75% have shared our annual letter & review of local government complaints with councillors to inform local scrutiny



75% used our published data to compare their performance against their peers



92% have reviewed their own practices as a result of our decisions

## Strategic Objective 3: learning from complaints to improve public services

### The risks to our performance and how we deal with them: Strategic Objective 3

We actively monitor and mitigate any factors that might prevent us from learning from complaints to improve public service. This is one of our six key strategic risks. To assess and control the level of risk in this area we particularly track the following indicators:

- > Our relevance to key stakeholders
- > The quantity and impact of our external facing work
- > Our staff engagement and commitment to our public value work

We have rated the level of risk in this part of our business at Green (the lowest rating) for most of this year. Further details are set out below, against the three key indicators.

#### Our relevance to key stakeholders

This indicator reflects low levels of risk. We continue to be regarded as a significant organisation in the sector, which is reflected in regular invitations for senior staff to speak at major national events. For example in October we spoke at the Society of Local Authority Chief Executives and The Lawyers in Local Government conferences.

We continue to be involved in key consultations issued during the year. The Government response to the consultation on ombudsman reform was published in December 2015 and is consistent with the policy positions and input that we contributed.

Local Authorities continue to engage with our effective complaint handling courses. We delivered a similar number of courses to last year (42 courses last year – 40 this year) training over 600 front line council complaints staff. In addition we also delivered seven courses for people who work in the independent care sector (training 115 people).

We ask delegates for pre and post course information. One of the key indicators of impact is whether the participant's confidence in complaints handling has improved following the course. Based on the feedback received we saw a 96% increase in delegates' confidence to deal with complaints.

The information from the post-course survey is fed back to the individual trainer and also to the council. It is also fed back to the Commission every quarter.

## Strategic Objective 3: learning from complaints to improve public services

### The risks to our performance and how we deal with them: Strategic Objective 3

“ This was the first course in my 28 years of working in local government where I was just as engaged and interested at the end of the day as I was at the start! Absolutely brilliant trainer.

”

**Delegate on LGO  
Effective Complaint  
Handling Course**

#### The quantity and impact of our external facing work

This indicator reflects low levels of risk. We published three focus reports as well as our sector wide reviews of complaints across both local public services and social care over the last year; all of which generated significant media interest.

The tone of media coverage of the LGO's work is monitored and reported quarterly to the Commission. Negative coverage has been negligible throughout the year.

We have seen a reduction in the number of investigation reports published this year. However many of those that we do publish continue to have significant media and sectoral impact.

We need to ensure that our external facing work constantly adapts to meet the changing external landscape. We are therefore establishing a new Casework Impact Group, chaired by one of our Assistant Ombudsmen to provide a business-led decision-making body to drive forward our programme of casework impact work in the future and to ensure that we continue to use learning from complaints

in the most effective ways possible. This group will look at why the number of public interest investigation reports is falling. On this basis we are satisfied that we are successfully managing this risk.

#### Our staff engagement and commitment to our public value work

This indicator reflects low levels of risk. Despite pressures on investigator capacity we continued to deliver our core external training programme. We also successfully recruited and trained nine more investigators to deliver our refreshed external training programme over the coming year. The recruitment of new investigative staff up to agreed establishment levels and the recruitment of new trainers indicates we are successfully managing this risk.



## Strategic Objective 4: using public money efficiently & effectively

“ I think this service is essential. The LGO is an essential part of good governance and arbitration between local councils and users.”

### LGO customer feedback

### How we ensure accountability

As a publicly funded body, tasked by Parliament to provide an essential statutory function, it is fundamental that we are accountable to the public for the service we provide and that we use taxpayers' money efficiently and effectively. That accountability is achieved through a robust system of controls and oversight operating through strong corporate governance, a lean but strong management team, and effective independent, external scrutiny.

At the heart of these arrangements is the Commission for Local Administration (CLAE), empowered under the Local Government Act 1974 to run the Local Government Ombudsman scheme (LGO). The Commission sets the annual budget and business plan for LGO and maintains active oversight of the efficiency and effectiveness of the business at its quarterly meetings. To support the Commission in this role, it is advised by an Audit and Risk Assurance Committee and a Remuneration Committee. Further details of these arrangements are set out in the Governance Statement within this report.

The Commission's Accounting

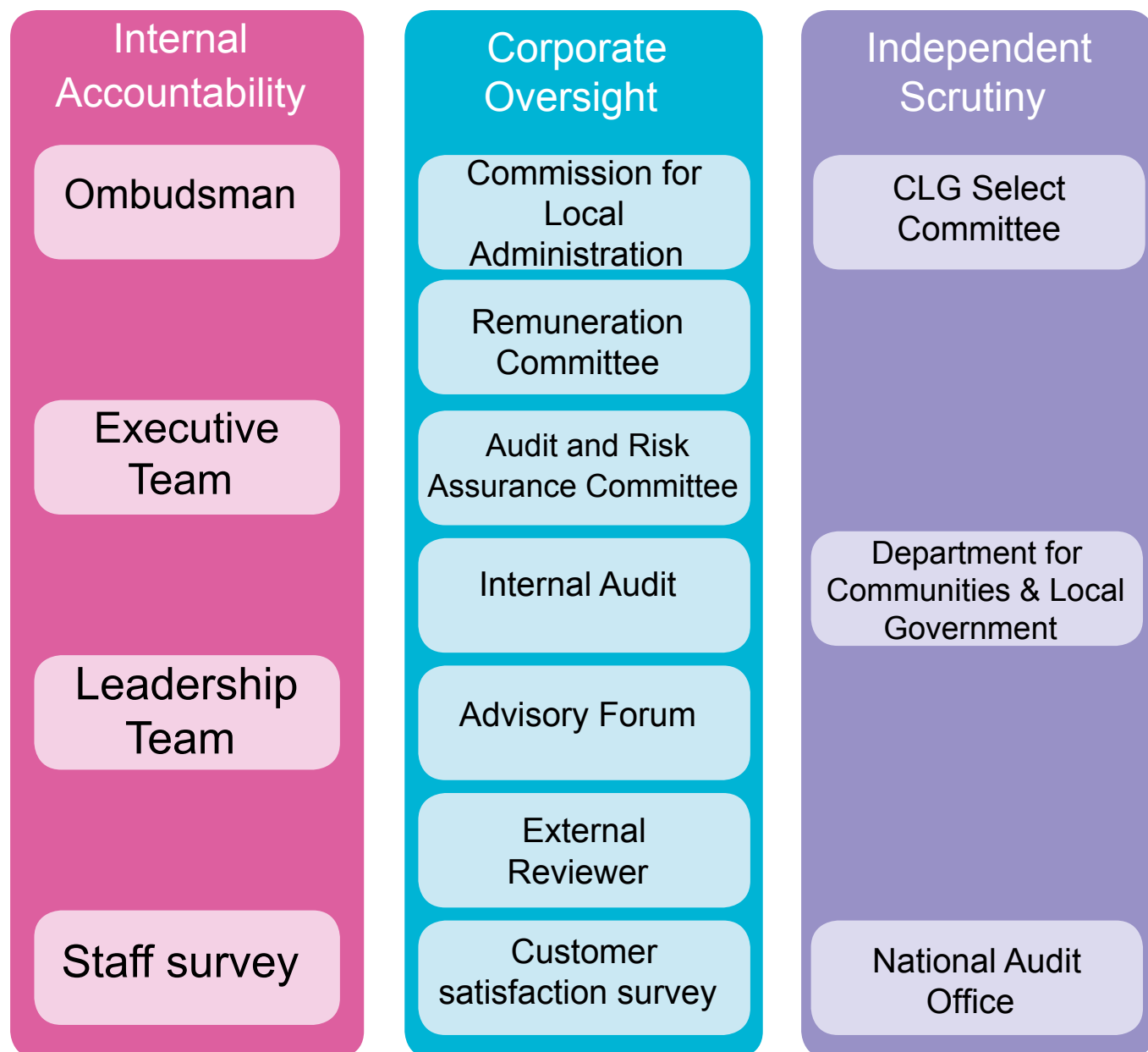
Officer is responsible for the day-to-day operations and management of the Commission's business, for safeguarding public funds, and for ensuring propriety, regularity, and value for money. The Permanent Secretary of the Department for Communities and Local Government (DCLG) has designated the Chief Executive as the Commission's Accounting Officer. These responsibilities are implemented through the LGO Executive Team, advised by the Head of Finance and Head of Human Resources, and through the wider LGO Leadership Team, which includes all LGO budget holders.

Further assurance on the efficiency and effectiveness of LGO's work is actively sought through staff and customer satisfaction surveys, an External Reviewer, an Advisory Forum of service users, and a robust programme of internal audit.

Independent external scrutiny of LGO's performance is exercised by Parliament through the Communities and Local Government Select Committee, and by Government through the sponsor relationship with DCLG. The Commission's external auditors are the National Audit Office, whose report is included in this report at page 60.

**Strategic Objective 4:**  
using public money efficiently & effectively

Our accountability, oversight and scrutiny mechanisms



## Strategic Objective 4: using public money efficiently & effectively

### How we measure our performance

To measure our success in meeting Strategic Objective 4 we use the following indicators and sources of data:

Indicator	Data Sources
Overall control framework, governance and risk management arrangements are appropriate to our needs	Outcome of internal audits
We open ourselves up to transparent public accountability	Annual Report and Accounts Advisory Forum minutes Commission minutes
We meet our financial performance standards	Annual governance statement NAO audit of accounts

### Our performance this year

LGO has maintained sound governance and ensured efficient and effective delivery of its core business throughout 2015-16. Full details of performance against the above measures are contained within the Accountability Report and Financial Statements later in this document.

### Value for money

LGO has continued to pursue a radical efficiency journey throughout 2015-16 to maximise the value for money that it offers to the public. This year marked the final year of the spending review period during which LGO has implemented and consolidated a dramatic transformation of its services and spending. This has resulted, over the four year period from 2011 to 2015, in a 37% reduction in spending and a 28% reduction in staff.

The final stage of this process was implemented this year, with the relocation of the Commission's Coventry head office from privately leased premises to a shared office in the Government Estate. Careful management of this project during the year enabled LGO to return over half a million pounds to the sponsor Department within year. This also completes the relocation of all LGO offices, providing an ongoing annual saving on accommodation of over £1m, compared to 2011 spending.

During the same period, from 2011 to 2015, LGO has also delivered similarly significant improvements in its performance. Individual investigator productivity has increased by 31%, casework quality measures have risen from 56% to 92%, and performance against LGO's key timeliness target has increased by 35 percentage points. The LGO now operates with one of the lowest cost per complaint in the sector (£989).

In addition to completing the final stages of the LGO Transformation Plan, the organisation has continued to identify new efficiency savings during the year. This has included the re-procurement of data and telephony services, generating significant savings on the previous contract price. Although the Financial Statements later in this report indicate that spending has increased, this increase is primarily the result of an actuarial pension estimate together with one-off accommodation costs arising from the relocation of two of the Commission's offices.

## Strategic Objective 4: using public money efficiently & effectively

### The risks to our performance and how we deal with them: Strategic Objective 4

We have identified three strategic risks attached to Strategic Objective 4:

A. The risk of not being accountable to the public and not using public money efficiently and effectively,

B. The risk that we have insufficient resources to deliver our strategic objectives,

C. The risk that we fail to stay relevant and manage change well.

The Commission and Executive Team actively monitor risk in each of these areas against indicators that are set out in our Risk Assurance Map, and take prompt mitigating action wherever appropriate. The status of each of the three strategic risks during the year is set out below:

**Risk A: The risk of not being accountable to the public and not using public money efficiently and effectively.**

This has been assessed to have an overall low level of risk this year. Governance and financial control systems have operated effectively. Where a risk was identified arising from a high level of reliance on agency staff in the LGO Finance Team, decisive action was taken to ensure that all key corporate posts were successfully filled on a permanent basis.

There have been no threats to the independence of the Ombudsman or the credibility of the scheme during the year. The Chair and an independent advisory member of the Commission engaged in discussions with the sponsor Department to ensure continuity of leadership beyond the end of the ombudsman's term of office, and arrangements have been confirmed for that process. There are therefore no concerns at this stage about the continuing independence or credibility of the organisation.

**Risk B: The risk that we have insufficient resources to deliver our strategic objectives.**

This risk was raised to Amber (the medium risk level) during the course of the year to reflect concerns about the future funding of the LGO scheme. In common with all public bodies, LGO has been engaged throughout the year in assessing the future funding requirement for the organisation to operate in the new spending review period from 2016 to 2020. In order to address this risk the LGO Executive Team and Head of Finance proactively engaged with the sponsor Department in a thorough assessment of potential savings and alternative funding models. This resulted in an LGO proposal to make additional savings of 9.2% (in addition to the 37% already delivered in the previous spending review period). These efficiency savings will be largely achieved through reduced accommodation and back office costs. The LGO Executive Team is confident that these reductions can be implemented without compromising the delivery of core services to the public or

## Strategic Objective 4: using public money efficiently & effectively

compromising the statutory functions of the organisation.

These proposals have been accepted by DCLG and a sustainable budget for 2016-17 has been set on this basis. Some concerns remain about the future funding of the scheme in the remainder of the spending review period, in particular due to uncertainties associated with the transition towards a single public service ombudsman scheme and the effect that this might have on LGO's standalone funding. However, LGO's finance sponsor team at DCLG has provided an assurance that the budget for 2017-18 will be re-set in line with the 2016-17 budget, and will be reviewed subsequently in the light of developments with ombudsman reform.

### **Risk C: The risk that we fail to stay relevant and manage change well.**

This risk has been rated overall at Green (low) for the reporting period. LGO has engaged constructively and effectively with the two most significant changes in its external environment:

- > To ensure that the organisation remains relevant in the changing context of local devolution and the creation of combined authorities, and
- > To ensure that the distinctive role and experience of LGO informs the ongoing ombudsman reform debate.

Local devolution and the creation of combined authorities represent one of the most radical transformations of local government in a generation. It is currently unclear how citizen redress arrangements will be reflected in these structures. LGO has therefore directly engaged in discussion with those authorities that are leading this process to ensure that complaints systems are built into future arrangements. LGO has established a project team to take this work forward and ensure that complaints and redress are not overlooked in the development of newly devolved local authority arrangements.

LGO has worked directly with colleagues in the Parliamentary and Health Service Ombudsman, the Cabinet Office, and through the Joint Convergence Committee to ensure that local accountability issues and the distinctive experience of LGO are at the heart of the ongoing debate about the reform and integration of public ombudsman services.

The Commission welcome the Government response to the consultation on these matters that was published in December 2015 and do not regard these proposals as a risk to the strategic objectives of LGO.

They do however have significant implications for the future of the organisation in its current form. An analysis of this position and the implications for the 'going concern' status of LGO is set out on the next page.

## **Strategic Objective 4:** using public money efficiently & effectively

### **The status of LGO in the year ahead: explanation of the adoption of the going concern basis**

On 17 December 2015 the Government published 'A public service ombudsman: government response to consultation'. This document reiterates Government's previously stated intention to create a single public services ombudsman, integrating the existing jurisdictions of the Local Government Ombudsman (LGO) and the Parliamentary and Health Service Ombudsman (PHSO).

It is the view of the Commission Accounting Officer that these proposals do not change the going concern status of LGO in 2016-17. In forming a judgement about the overall status of the organisation, the Accounting Officer (AO) has considered the issues set out in the Government response to the consultation, the steps (set out below) that will be required to implement these proposals, and the inevitable uncertainties that currently exist around the timetable and outcome of the proposed changes.

It is not anticipated that any legislative proposals for ombudsman reform will be published before summer 2016. Should a Draft Bill be brought forward, it will be subject to pre-legislative scrutiny, through a process yet to be determined by Parliament. Following the successful completion of that process, any proposals would then be subject to clearance across Government and would need to find a suitable opportunity to be considered by Parliament. If legislation received Royal Assent, the Commission estimates that the operational integration of the LGO and PHSO schemes would take a further 18 months, during which time LGO would need to continue to function as a standalone body operating its own jurisdiction.

It would be wrong to anticipate the will of Parliament, or to speculate further on the timetable or nature of any changes that may follow. However, given the current context, the Commission and its Accounting Officer are satisfied that these proposals do not give rise to a material uncertainty around the going concern status of LGO at this stage. The Commission's 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.

**Michael King**  
**Chief Executive Officer**  
**29 June 2016**

# Directors' report

## Leadership and direction

The Commission for Local Administration in England (CLAE) provides the strategic direction and leadership of the Local Government Ombudsman scheme. The Commission is chaired by Dr Jane Martin, who is also appointed as the Local Government Ombudsman (the Local Commissioner). Dame Julie Mellor, the Parliamentary and Health Service Ombudsman, is an ex officio member of the Commission. The Commission also has three independent advisory members, Sir Jon Shortridge, David Liggins and Carol Brady. The Secretary to the Commission is Michael King, the LGO's Chief Executive Officer (CEO) and Accounting Officer. He has prepared this report on behalf of CLAE. (Further details of the Commission's governance arrangements are set out in the Governance Statement on page 39.)

The Executive Directors of the Local Government Ombudsman are Michael King, CEO and Accounting Officer, and Nigel Ellis, Director of Operations. Together they form the LGO Executive Team (ET), and are responsible for the operational direction and delivery of the scheme. The Executive Team meets monthly and makes all key decisions

about staffing, operational policy, risk, business planning, finance, accommodation, technology, data, and service delivery issues. Following every ET meeting the CEO briefs the Chair of the Commission on all significant developments.

The Executive Team work with the LGO Leadership Team to ensure that there is inclusive and effective decision-making, communication and oversight of the scheme. The Leadership Team comprises 18 corporate and casework managers, each of whom has lead responsibility for a particular aspect of corporate management, in addition to their own team management role. Sub-groups of the Leadership Team meet separately with ET to focus on the management of casework, in particular casework performance and quality, and on the delivery of corporate support functions.

This is the first full year in which the new LGO executive arrangements, with a CEO/Accounting Officer, have been in place. This structure was introduced in Spring 2015 in order to provide clearer lines of delegation and accountability, and is proving to be effective in practice.

## Staffing

LGO started the year with

vacancies in several important corporate and casework roles, and with a high level of reliance on agency staff. This resulted in reduced capacity to allocate complaints to investigators and elevated risk in core business systems. Decisive action has been taken to address this problem. All investigator vacancies have been filled during the course of the year following recruitment to each of the LGO's offices in Coventry, York and London. All corporate support functions are also now sustainably staffed, with permanent appointments made to all key positions, including the Head of Finance.

Monthly monitoring of staffing levels against planned establishment and budget is now carried out by the Executive Team, with performance measures set for the Heads of HR and Finance to ensure the LGO maximises its staffing capacity at all times.

## Accommodation

LGO works within Government spending controls and property rules which, amongst other things, require public bodies to relocate from privately leased offices to lower cost accommodation within the Government Estate. LGO has previously relocated its London and York offices, and in July 2015 it successfully relocated its Coventry head office to shared accommodation in

Earlsdon Park, a Department for Education building located in central Coventry.

This move was delivered on time and under-budget, allowing LGO to return over half a million pounds to the sponsor Department within year.

### Sponsor arrangements

LGO enjoys a constructive and professional relationship with its sponsor Department, the Department for Communities and Local Government (DCLG). The Chair meets regularly with the Director General, Local Government and Public Services, and the Accounting Officer has frequent meetings with the DCLG Finance Sponsor Team.

The relationship between the sponsor Department and LGO, as an Arms Length Body, is set out in a Framework Agreement. The Commission, its Chair and Accounting Officer have acted in accordance with the terms of that agreement throughout the year.

The current framework document was agreed in 2013. During the course of 2015-16 LGO has worked with the Department to re-negotiate and update the terms of the Framework Agreement, with particular emphasis on ensuring

that the distinct character and independence of the ombudsman scheme are fully recognised. The draft document has been submitted to the Commission and HM Treasury for approval.

### Spending Review

As part of the Government Spending Review, the LGO Executive Team and Head of Finance prepared a detailed business case in June 2015 setting out the funding history of LGO, current spending patterns, and proposals for further savings. That report concluded that, in addition to the 37% efficiency savings already made by LGO in the previous spending review period, further savings of up to 9.2% could be found in 2016-17, primarily from back office and accommodation costs. The budget for 2016-17 has been agreed by the Commission and the Department on this basis.

Whilst the Executive Team are confident that they can deliver these savings without further detriment to the service or to staff, they recognise that LGO now operates on an extremely lean budget and, as a result, has limited resilience to respond to unexpected pressures arising from changes in demand for its service, fluctuations in its capacity to meet that demand,

or from even relatively minor systems failures.

### Pension arrangements

LGO staff are eligible for a pension provided by the Local Government Pension Scheme. This is operated in practice for the LGO by the London Pensions Fund Authority (LPFA). Most past and present staff are members of this scheme.

At 31 March 2016 the pension scheme had a deficit of £24,913,000. This is shown in the Statement of Financial Position on page 63 and referred to in the Notes to the Financial Statements (note 12). The deficit is calculated on the basis of prescribed assumptions under International Accounting Standards (IAS 19). These assumptions are more conservative than those used to calculate the deficit on an 'ongoing basis' where the fund continues to admit new members. Based upon advice from the actuaries, the Executive Directors estimate that the deficit at 31 March 2016 on an 'ongoing scheme' basis is approximately £2m.

The Commission is committed to managing and funding the pension deficit, working with the sponsor Department, who are the ultimate guarantor of the LGO scheme. In February



2016 the sponsor Department approved an LGO business case seeking £1.52m to further reduce the Commission's outstanding pension deficit. This followed similar funding of £5.6m in the previous financial year.

The size of the deficit is very sensitive to changes in assumptions and this can result in volatility from year to year. Employer payments to reduce any deficit are determined every three years by the scheme actuary and are calculated on the 'ongoing scheme' basis. 2016-17 is the final year of the latest three year schedule of payments. The scheme actuary has confirmed that the Commission does not need to make any deficit payments in 2016-17 because of the one off payments of £5.6m and £1.52m that were made in March 2015 and March 2016 respectively.

The scheme is a multi-employer scheme with employers from the education, charity, local government and private sectors. In the event that any employer fails to meet its obligations, their liability would be spread amongst the remaining employers in the scheme.

In the unlikely event that the Commission withdrew from the scheme or the scheme

was wound up, the Executive Directors estimate that the Commission's liability (and ultimately DCLG's liability) would be approximately £48m.

### Procurement

LGO has conducted a review of all external contracts during the course of the year. This led directly to the re-procurement of mobile telephony services, resulting in a saving of around 50% on the previous contract price.

LGO has also re-procured its main data and telephony services during the course of the year. This is one of LGO's most significant external supplier relationships and is of critical importance to the maintenance of core business systems. LGO ran a competitive tender process through the Government's 'G Cloud' framework in partnership with the Parliamentary and Health Service Ombudsman. This process was successful in identifying a new supplier at substantially reduced cost and enabled LGO to manage a smooth transition in service before the termination of the previous contract in December 2015.

### Payment of suppliers

LGO is committed to ensuring the prompt payment of its

suppliers. During the course of this year it agreed a target to pay 98% of suppliers within 30 days. Performance against this standard is reported at each meeting of the Audit and Risk Assurance Committee. In the course of the year LGO made 99% of supplier payments on time, exceeding the target, and exceeding last year's performance (98.1% in 2014-15).

### Legal and litigation

In the course of the year LGO received 15 threats of judicial review. No cases were granted permission to be heard in court. No judgements were made that were critical of LGO decisions.

LGO receives external legal advice and representation from a panel of legal firms procured jointly with the Parliamentary and Health Service Ombudsman (PHSO). In response to changes in its internal legal advice arrangements during the year, LGO is reviewing the way that it provides its staff with the legal advice and support that they require. Rather than employ in-house solicitors, LGO is trialling arrangements with one of the panel of providers to secure a wider range of legal advice services at a lower overall cost. These arrangements are working well

in practice and have been well received by staff.

## Business Plan

In order to focus its limited resources on key business priorities, LGO plans and delivers all of its activities in accordance with a detailed business plan, which is agreed at the start of the year by the Commission. This sets out objectives and outcome measures for the delivery of core casework activities and new developmental projects. Each item in the plan has an Executive Team sponsor and a delivery lead, who is usually a member of the LGO Leadership Team. The plan is monitored monthly by the Executive Team; progress is reported bi-monthly at the Leadership Team and quarterly to the Commission.

In 2015-16 the Business Plan set out an ambitious programme of twenty significant business initiatives. Delivery against the plan was well managed and effective throughout the year. 75% of projects were delivered in full and to plan, including major business changes, such as the introduction of a new system for tracking casework remedies and the successful relocation of the Coventry head office. Of the remaining five items, one initiative was cancelled due to changes in legislation, and one

was deferred due to factors outside of LGO's control. The remaining three projects were completed shortly after year-end or were substantially delivered, with some limited shortfall against planned goals and targets.

## Joint working with other public bodies

LGO works closely with other ombudsman schemes and regulatory bodies operating in the same sectors, in order to ensure that its services are delivered in a simple, coherent and accessible manner.

In the course of this year LGO, in its role as the social care ombudsman, signed an innovative Information Sharing Agreement and Memorandum of Understanding with the Care Quality Commission (CQC). Under this arrangement, members of the public who make contact to raise a complaint or enquiry that is more appropriately dealt with by the other body are either signposted or transferred directly, whilst they are still on the phone, from one organisation to the other. This arrangement has made it easier for nearly 1,500 people to access LGO and CQC during the course of the year. The agreement also enables both bodies to share intelligence about their investigations and inspections to better target their work

and ultimately improve care provision.

This has also been the first year of operation for the Joint Working Team established by the LGO with the Parliamentary and Health Service Ombudsman (PHSO). This pilot initiative aims to improve and simplify the service that LGO and PHSO provide to the public in relation to complaints about health and social care which overlap the jurisdiction of both schemes. In order to offer a seamless service to the public, a small group of staff from both organisations now work together in an integrated team, under the leadership of an LGO manager and using LGO casework management systems, to deliver joined-up investigations. During 2015-16 the new team made 180 decisions on complex cases involving multiple council, care and health bodies, and ended the year with a further 218 cases in progress.

Throughout the year, LGO staff have also worked with colleagues in PHSO to deliver a wider programme of joint convergence activities, such as the harmonisation of information security standards, to enable closer cooperation between the two schemes in future.

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

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 AO is answerable;
- > for keeping proper records;
- > for safeguarding the Commission's assets;
- > for confirming that all steps that ought to have been taken, have been taken to make himself aware of any relevant audit information;
- > for establishing that the auditors have been made aware of that relevant audit information;
- > for confirming that the Annual Report and Accounts as a whole are fair, balanced and understandable;
- > for confirming that he takes personal responsibility for the Annual Report and Accounts and the judgements required for determining that they are fair, balanced and understandable;

are set out in *Managing Public Money* published by the HM Treasury.

Under the Accounts Direction (Annex A), the Secretary of State for Communities and Local Government with the consent of the Treasury has directed the Commission for Local Administration in England to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission and of its net resource outturn, application of resources, changes in Taxpayers' Equity and cash flows for the financial year.

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

- > observe the Accounts Direction issued by the Secretary of State for Communities and Local Government, including the relevant accounting and disclosure requirements;
- > 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.

# Governance statement

## The Commission: membership and responsibilities

The Commission for Local Administration in England (CLAE) is the independent statutory body created by the Local Government Act 1974 to operate the Local Government Ombudsman scheme.

The Commission is responsible for:

- > Ensuring high standards of corporate governance,
- > Ensuring that effective and efficient arrangements are in place for the delivery of the LGO service,
- > Setting and monitoring the strategic objectives of LGO, the three year corporate strategic plan, and the annual business plan,
- > Approving and monitoring annual accounts and financial estimates,
- > Ensuring that all statutory and administrative requirements for the use of public funds are complied with, as advised by the Commission Accounting Officer,
- > Agreeing the remuneration and benefits framework

within which LGO operates, as advised by the Remuneration Committee, and,

- > Overseeing risk management and internal control mechanisms, as advised by the Audit and Risk Assurance Committee (ARAC).

The members of the Commission during 2015-16 were the Chair, Dr Jane Martin, who is also the Local Commissioner (The Local Government Ombudsman), and Dame Julie Mellor, the Parliamentary and Health Service Ombudsman.

There are also three independent advisory members of the Commission. These are, Carol Brady, Sir Jon Shortridge, who is also the Chair of the CLAE Audit and Risk Assurance Committee, and David Liggins, who is also the Chair of the Remuneration Committee. The CLAE Chief Executive and Accounting Officer, and the Director of Operations attend Commission meetings in an advisory capacity, together with other senior staff as required.

In November 2015 Sir Jon Shortridge and David Liggins were re-appointed as independent advisory

members for a term of two years. This followed a positive appraisal of their performance by the Chair.

## The Local Commissioner

Under the Local Government Act 1974, the personal authority to investigate complaints is vested in Dr Jane Martin, the Local Commissioner (The Local Government Ombudsman).

All matters in relation to the conduct of investigations, the exercise of statutory discretion, the determination of the outcome of complaints, the recommendation of remedies, and the publication of casework outcomes are determined by, or on behalf of, the Local Commissioner. The exercise of these quasi-judicial functions is independent of the Commission, Government, and Local Government, and can only be challenged by way of judicial review.

So, whilst the Local Commissioner is accountable to the Secretary of State for Communities and Local Government in her role as Chair of the Commission, she is accountable directly to Parliament in her role as Local Government Ombudsman.

Dr Martin's seven year term of office as Local Commissioner will end in January 2017. This is a significant event in the life of the organisation, with far reaching legal and administrative implications. In order to support a well planned and seamless transfer of jurisdictional responsibility to a new office holder, the Commission and the Ombudsman have made recommendations and provided advice to the sponsor Department throughout the year. The approval to recruit a successor has been given by the Secretary of State for Local Government.

### **The governance framework and the Local Government Act 1974**

The current CLAE governance framework is structured in line with the recommendations contained in the 'Governance Review of the LGO' carried out by Robert Gordon on behalf of the Secretary of State for Communities and Local Government in 2013. These arrangements provide robust and effective governance for the LGO scheme and clarity around the role and powers of the Ombudsman. However the current arrangements are not reflected in full in the Local Government Act 1974.

Recognising the need to update this legislation, Robert Gordon recommended in 2013 that an early opportunity should be found to amend the Act in order to strengthen the Commission and provide a proper statutory basis to operate with one Local Commissioner (Ombudsman). Those legislative changes have yet to be made.

The Commission is required under section 23(12) of the Local Government Act 1974 to review the operation of its legislation every three years. The most recent Triennial Review submission under these provisions was made to DCLG this year, in June 2015. This followed consultation with the Local Government Association, Care England and the Society of Local Authority Chief Executives, and was informed by responses from the public, local authorities and other stakeholders. In that submission the Commission reiterated its support for the above changes to be made to modernise the statutory basis of its governance, in line with the proposals set out in the Robert Gordon review of 2013. In addition it also made recommendations to strengthen local service accountability and improve LGO's powers to remedy injustice.

The Triennial Review submission as a whole is with DCLG for consideration; however the Secretary of State has indicated that the Department's preference is to take forward these recommendations as part of the process of establishing the governance arrangements and functions of a new, integrated Public Service Ombudsman, rather than making piecemeal changes to the existing legislation governing LGO.

### **The work of the Commission**

The Commission met five times in the course of the year. A table setting out Commission and committee attendances in 2015-16 is shown on the next page.

## Commission and Committee attendances

Present	Commission meetings (5 in total)	Audit and Risk Assurance Committee meetings (4 in total)	Remuneration Committee meetings (2 in total)	Joint Convergence Committee meetings (4 in total)
<b>Dr Jane Martin</b> (Chair of Commission)	5	4	2	4
<b>Dame Julie Mellor</b> (Parliamentary & Health Service Ombudsman)	4	3	n/a	4
<b>Sir Jon Shortridge</b> (Audit and Risk Assurance Committee Chair)	4	4	2	4
<b>David Liggins</b> (Remuneration Committee Chair)	5	4	2	n/a
<b>Carol Brady</b> (Advisory Member)	4	n/a	n/a	n/a

The Commission agreed a business plan for 2015-16 set within the wider context of its three year corporate strategic plan. The business plan provided the framework for all service delivery throughout the year and formed the basis of the Commission's budgetary request to its sponsor Department. This year's plan identified twenty key areas of development and delivery linked to each of its four strategic objectives. The

Commission received financial and performance data at each of its meetings to enable it to monitor performance against these objectives and to track the delivery of its business plan, further details of which are set out in the Directors' Report on page 37.

In addition to monitoring quantitative performance measures, the Commission maintained oversight of the LGO Quality Framework at each of its meetings. This

provides a comprehensive suite of quality measures that is owned and reviewed by members of the LGO Leadership Team. This framework has been an effective tool in monitoring service quality across all aspects of the business throughout the year and has provided assurance that service quality has been maintained at satisfactory levels.

The Commission agreed a number of significant changes to its internal control environment during the year. This included changes to the terms of reference of the Audit and Risk Assurance Committee and the adoption of a new Risk Management Policy and Risk Assurance Map, which are discussed further below. In addition, the Commission adopted a new set of Financial Instructions and Financial Regulations, which have been simplified and revised to reflect changes in LGO leadership arrangements. These changes have subsequently been communicated to all staff and managers.

In addition to its formal meetings, the Commission held a workshop prior to each of its meetings which provided a valuable opportunity for broader discussion and development. These included sessions on the LGO's work as the social care ombudsman for all public and private care services in England, scrutiny of LGO casework decision statements, and a review of the Commission's strategic risk set.

### Register of interests

All members of the Commission and its senior executives have completed

a declaration of interests disclosure form, which will be published on the LGO website ([www.lgo.org.uk](http://www.lgo.org.uk)). There are no conflicts of interest that compromise the independence or reputation of the LGO.

### Gifts and hospitality

The Commission's policy is not to accept gifts, hospitality or benefits of any kind from a third party which might be seen to compromise the personal judgment or integrity of its members or staff. It also maintains a register for any gifts and hospitality that are offered or received and which are not of a trivial nature. Staff have been reminded about this policy during the course of the year. There were no gifts or hospitality received or offered in the year that contravened the Commission's policy or were of an exceptional value.

### Commission and committee performance

The Commission operates a number of processes to assess its own effectiveness, and that of its members and committees.

The Chair of the Commission carried out individual performance reviews of the Chair of the Audit and Risk Assurance Committee and the Chair of the Remuneration Committee as a prerequisite

of their re-appointment as independent advisory members of the Commission. Annual performance reviews of all Commission members and advisory members have now been adopted under the draft framework agreement developed this year.

The Chair of the Commission has an annual 360 degree appraisal, which has been coordinated this year by the Chair of the Remuneration Committee, seeking feedback from other Commission members, LGO senior executives, the sponsor Department and key stakeholders.

For the first time, staff observers have been invited to attend Commission and committee meetings this year. Staff have taken up that invitation at each meeting and feedback from those who have attended has been positive.

As part of this year's staff survey, carried out in January 2016, employees were invited to express their views about the strategic values and purpose of the organisation:

- > 82% agreed or strongly agreed that the LGO's values were in line with their personal values
- > 92% agreed or strongly agreed that they believed

in LGO as an organisation, and

- > 96% agreed or strongly agreed that they had a good understanding of the purpose of the organisation.

### Compliance with the Corporate Governance Code

In so far as the Corporate Governance Code applies, the Commission has applied the principles of the Code which requires that bodies operate according to the recognised precepts of good corporate governance in business, leadership, effectiveness, accountability and sustainability.

### The Audit and Risk Assurance Committee

The Commission, and its Accounting Officer, are advised by an Audit and Risk Assurance Committee on matters of probity, regularity (including compliance and financial reporting), and on prudent and economical administration, efficiency and effectiveness as identified by internal and external audit and through the Commission's system of internal control.

The Committee is composed of 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 Audit and Risk Assurance Committee meetings are attended by representatives of internal and external audit, the Accounting Officer and the Head of Finance. The Commission Chair also attends in an advisory capacity. The minutes of its meetings, together with any recommendations, are reported to the Commission.

During the reporting year the Committee met on four occasions. Representatives of the National Audit Office and the Government Internal Audit Agency (GIAA), the Commission's internal audit provider were in attendance at each of the four meetings.

Updated terms of reference were agreed for the Committee at the Commission's meeting in February 2016. In particular these changes clarified and strengthened the role of the Committee in relation to the scrutiny of risk management. The Committee has reviewed

the CLAE strategic risk register at each of its meetings and was satisfied that risks were being effectively managed. It has agreed a forward programme of 'deep dive' reviews setting out the priority risks that it wishes to examine in greater detail, commencing in June 2016 with an examination of strategic risk five relating to the future resources available to LGO.

The Committee approved an internal audit plan for the year at its meeting in June 2015 and subsequently received and scrutinised five audit reports. The details of these reports and the associated assurance opinions are set out below. The Committee has monitored audit recommendations on a regular basis at its meetings and welcomed the timely manner in which recommendations have been implemented by management. At their final meeting of the financial year all recommendations had been completed by their due date.

In addition, the Committee also reviewed the findings of the latest IT systems penetration test completed in January 2016. This test, undertaken by external IT auditors, reviewed the organisation's



IT vulnerability, security arrangements and physical building security. The test provided assurance that LGO's measures are effective, and offered recommendations on where and how these measures could be further improved. The committee welcomed the report and the management action plan to address all outstanding recommendations.

The Committee received a report on fraud at each of its meetings. No incidences of fraud were identified during 2015-16. In addition to that report, the Committee requested that, as part of the preparation for the Annual Report and Accounts, the Accounting Officer and the Head of Finance introduce an annual assurance exercise with LGO managers to examine the effectiveness of controls in relation to fraud and other key business risks. That assurance exercise was conducted in March 2016 with the LGO Leadership Team and tested the management of risk, the control of bribery and fraud, and the level of compliance with financial regulations and other key policies. The Leadership Team, which includes all LGO budget holders, did not

identify any significant areas of concern and unanimously agreed to minute their positive assurance across all areas. The Committee is satisfied with this assurance, and that controls are well established and are working adequately and appropriately.

The Committee reviewed the draft annual accounts for 2015-16, including this Governance Statement, and submitted comments on these before their approval by the Commission. The Committee was pleased to note that the accounts were completed on time and in accordance with the agreed NAO timetable.

The Audit and Risk Assurance Committee produced an Annual Report on its work which was presented at the Commission meeting when the Annual Accounts were submitted for approval. There were no serious issues arising during the course of the year that the Committee had to address.

A board effectiveness review of the Audit and Risk Assurance Committee took place at the Committee's May meeting with the advice and assistance of the National Audit Office, the Commission's external auditors.

Overall, and taking account of all the evidence it has considered during the course of the year, the Committee is of the opinion that the Accounting Officer can be satisfied that the control framework, governance arrangements and risk management processes for which he is responsible are appropriate to the Commission's needs.

### Internal Audit

The Commission's Internal Auditors for 2015-16 were the Government Internal Audit Agency (GIAA). They undertook a programme of five audits during the year in accordance with an audit plan agreed by the LGO Executive Team and endorsed by the Audit and Risk Assurance Committee. The internal audit programme was based on the strategic risks identified by the Commission, and the operational and project risks identified in the risk registers.

In 2015-16 LGO received five internal audit management letters from GIAA, who have provided the following opinions (rated on a four level scale of Substantial, Moderate, Limited, Unsatisfactory):

Audit	Assurance level
Finance controls & counter fraud	Level Two: Moderate
IT Controls and Security	Level Two: Moderate
Operational Quality	Level Two: Moderate
Business Planning	Level Two: Moderate
Business Continuity and Disaster recovery	Level One: Substantial

All audit recommendations are recorded on a shared LGO/GIAA follow-up report, which is monitored by the LGO Executive Team and reported to each meeting of the Audit and Risk Assurance Committee (ARAC). The ARAC were pleased to note that all outstanding audit actions had been completed at its final meeting of the reporting period.

During the course of the year the LGO Executive Team also agreed the terms of reference for an audit of Governance and Risk Assurance which will take place in 2016-17.

The Head of Internal Audit has provided an Annual Report and Opinion on the overall adequacy and effectiveness of LGO's governance, risk management and internal controls. On the basis of the evidence obtained during 2015-16 she was able to provide an overall Level Two (moderate) assurance rating, indicating, "Some improvements are required to enhance the adequacy and effectiveness of the framework of governance, risk management and control". This is the same level of assurance provided in 2014-15. The report notes that improvement plans are in place for all areas with agreed actions already delivered or due in 2016-17. There were no findings that materially compromise the LGO's system of internal control and there were no qualifications to this opinion.

## Risk Management

The Commission has overall responsibility for monitoring and reviewing strategic risks aligned to the four strategic objectives of the organisation.

At the Commission's November 2015 meeting it adopted a new Risk Management Policy, a simplified and updated Strategic Risk Register, and a new Risk Assurance Map, identifying and assessing the key sources of risk assurance in relation to each of the Commission's six strategic risks.

The Commission also reviewed and restated its risk appetite in relation to each of its six strategic risks. These are shown in the table on the following page.

	Strategic risk	Risk Appetite
1	We do not deliver an excellent service and we are not easy to find or use.	Averse
2	We deliver ineffective redress because our investigations are not impartial, rigorous or proportionate.	Averse
3	We fail to use the learning from complaints to improve local services.	Open
4	We are not sufficiently accountable to the public and fail to use public money efficiently or effectively.	Averse
5	We have insufficient resources to deliver our strategic objectives.	Averse
6	We fail to stay relevant and do not manage change well.	Cautious

The new Risk Management Policy clearly articulates the roles that different groups and individuals have in relation to risk management and clarifies the role of the Audit and Risk Assurance Committee. At the heart of the revised approach is a clear link between the Commission's strategic risk register and the LGO's operational and project risk registers. Strategic risk management is informed by the reporting of operational and project risks. Conversely, the operational and project risk registers are framed within the context of strategic risk. This approach follows the recommendations made in 'Managing Public Money'. (The HM Treasury principles for dealing with resources in UK public sector bodies, 2013.)

Operational and project risk registers have been updated and reviewed by the Executive and Leadership Team throughout the year in line with policy requirements and prompt mitigating action has been taken in relation to any areas of elevated risk. The strategic risk register has been reviewed and monitored by the Commission at every meeting in the reporting period, and has been shared with the sponsor Department. The register has also been scrutinised at each meeting of the Audit and Risk Assurance Committee. During the year this activity 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 (described in greater detail below).

The Commission and ARAC are satisfied that, throughout the reporting period, risk has been properly managed and that effective mitigating action has been taken where appropriate.

The key risks that have been identified and managed during the year have been in relation to uncertainties about the future funding of the LGO scheme and the number of unallocated complaints building up within the core casework systems. Both risks have been actively and effectively managed throughout the year. Detailed commentary on the management of risk in relation to each of the Commission's four strategic objectives is reported in the first part of this document.

### Managing information security risks

Given the nature of the Ombudsman's work and the large volumes of sensitive information that is held on case files, managing risks associated with information security is of paramount importance. The Executive Director of Operations is designated as the Commission's Senior Information Risk Owner (SIRO) to oversee this aspect of business risk.

All LGO information security policies and procedures were reviewed during the year by the cross-organisational Information Security Group. Reports were fed from the Group to managers, the Executive Team and the

Commission. The Group also reviewed the information security incident log, which records all security incidents and data breaches.

All staff continue to be required to read and sign to say that they have understood the Information Security Policy. This includes handling of sensitive information, access security, working from home and incident reporting. Staff are required to re-read and re-confirm on substantive changes. Information Asset Owners have been assigned to all information assets to ensure appropriate security, management of risk, retention and disposal of electronic and hard copy data. Information security risk is also tracked and regularly updated through the LGO Operational Risk Register.

LGO has reviewed and improved its practices over the course of this year in the following respects:

- > New arrangements were introduced to record the movement of hardcopy files,
- > Specific information security training was delivered for all Information Asset Owners,
- > LGO guidance on security marking was reviewed,

and all staff were reminded of the need to treat any personal or potentially sensitive information appropriately,

- > A new review process was established for LGO's Information Asset Register,
- > IT systems have been prioritised in order of urgency for restoration in the Business Continuity Plan and discrete disaster recovery plans have been agreed.

The SIRO has completed the DCLG Departmental Security Health Check for 2015-16 and has formally declared that, in the light of our policies, procedures and training, internal audits, and the ongoing programme of improvement, LGO is compliant with the relevant protective security requirements set out in the Security Policy Framework. There are no significant risks or Security Policy Framework exceptions, and no major security incidents or personal data breaches occurred during 2015-16 that required reporting to the Information Commissioner.

## The Remuneration Committee

The Commission has a Remuneration Committee, which is responsible for advising and making recommendations to the Commission on the remuneration and succession of the senior staff and the pay schemes for other staff.

The Committee was chaired in 2015-16 by David Liggins, an independent advisory member of the Commission, and has two other members, Sir Jon Shortridge, the Chair of the Audit and Risk Assurance Committee, and Dr Jane Martin, the Chair of the Commission. It was advised by the Accounting Officer and the Head of Human Resources, except on matters relating to personal remuneration.

The Remuneration Committee met twice in the year. All members of the Committee attended both of the meetings, and the Committee reported to the Commission after every meeting. In the course of the reporting period the Committee has:

- > Reviewed the executive pay model and appraisal arrangements, resulting in an agreement with DCLG about the future operation of this scheme,

- > Independently endorsed the Chair's annual appraisal of the Executive Directors' performance and her recommendations on their performance pay,
- > Considered a review of pay scales and received assurance that there are no significant equal pay issues, and
- > Overseen the fair operation of the LGO's Exceptional Contribution Award Scheme, where, following moderation by the Committee, the Executive Team was delighted to make twenty four awards to recognise exceptional work by staff across the organisation in the course of the year.

The Committee has continued to review the Ombudsman's performance through a 360 degree appraisal process, which was undertaken by the Chair of the Remuneration Committee against the objectives agreed with the Committee for 2015-16.

## Joint working with the Parliamentary and Health Service Ombudsman

The Commission and its staff have been engaged throughout the year in a joint programme of work with the Parliamentary and Health Service Ombudsman to promote greater convergence in the work of the two schemes in anticipation of proposals to create a new, integrated public service ombudsman based upon the jurisdictions of the two existing bodies.

Effective governance of this programme has been maintained through a Joint Convergence Committee (JCC). This Committee has been chaired by Sir Jon Shortridge, the Chair of the LGO Audit and Risk Assurance Committee, and comprises Dr Jane Martin, the Chair of CLAE, and Dame Julie Mellor, the Parliamentary and Health Service Ombudsman. Formal authority for any work delivered through the JCC has remained at all times with the two schemes. The work of the JCC has therefore been reported to every meeting of the Commission and has received the Commission's formal endorsement and approval where appropriate.

The programme of joint convergence activities has

been delivered through a Joint Executive Team, chaired by Michael King, the LGO Chief Executive, and has been managed using formal project management disciplines facilitated by the LGO's Project Coordinator. All joint convergence goals have been incorporated into and delivered under the LGO Business Plan. A key achievement from this programme has been the establishment of a joint health and social care investigation team operating under LGO management and providing a single, joined-up investigation for the public into complex complaints that involve multiple health and care provider bodies. Other benefits realised through the programme have included the joint procurement of telephony and data services at a substantially reduced cost and the harmonisation of information security protocols to enable data transfer between the two schemes.

### External advisory forums and reviews

The Ombudsman remains strictly impartial when making judgments on individual complaints. However, whilst maintaining absolute neutrality between the complainant

and the body in jurisdiction in its casework decisions, LGO values the wider input of both sets of stakeholders in developing and improving the service it offers in future. To reflect that position, the Commission operates two independent advisory forums and has an independent complaints reviewer to provide an additional layer of external challenge, accountability and feedback on its work.

The Councillor Forum is made up of local authority elected members drawn from different parts of the country and a cross section of political opinion. This group has met three times in the course of 2015-16 and its advice has made a significant contribution to the success of the LGO business plan objective to work more closely with councillors in their roles as community representatives and as scrutineers of local service provision.

The external Advisory Forum is made up primarily of members of the public who have previously used the LGO service. Membership of the group ensures that a wide spectrum of opinion is represented. The group has met twice in the year. Its

feedback has a direct influence on the LGO's professional practice programme and informed the selection of future business plan priorities. It has also had a significant role in shaping external communications and in the design and accessibility of the new [LGO website](#), which was launched in spring 2016.

The Commission receives assurance about the effective operation of its own internal complaints system from an independent External Reviewer, Graham Manfield, who audits a random selection of internal complaint files to ensure that managers are acting properly in the way that they address complaints made by the public about Commission staff. His report is set out on the next page.

### Statement from the External Reviewer

As the External Reviewer I am able to give an impartial view of whether the Ombudsman responds effectively and appropriately to service complaints, identify good practice and make recommendations if necessary. This is my second year in this role so, in addition to commenting on what I have found and my recommendations, it is useful to reflect on how the role has developed during this time.

My reviews in September and March covered a wide range of complaints across all parts of the Ombudsman's process and included those relating to delays, communication with service users and staff behaviour. All were dealt with appropriately by managers and I was particularly impressed that the individual needs of some service users had been recognised and adjustments made where necessary.

My recommendations to the Ombudsman continue to be centred on service delivery such as improvements to communication with complainants and supervisory processes as well as alerting senior managers to service complaints. I have also made recommendations which will assist in the management of service complaints and subsequent reviews such as the wider recording of telephone calls.

It is important that my reviews reflect a user-led vision of the Ombudsman's service and that the Ombudsman fully considers my findings and recommendations. I am pleased that management responses to my recommendations demonstrate this and set out actions taken as a result. My reviews are now embedded in the Ombudsman's quality assessment processes and I hope that this will further help to improve standards, demonstrate accountability and increase public reassurance.

**Graham Manfield**  
External Reviewer

### Conclusion

As Accounting Officer, I am satisfied with the effectiveness of the systems of internal control operating within LGO. I am also content that the organisation has operated in accordance with its framework agreement and has complied with all relevant external controls and requirements at all times.

As I did not take up my current post as Accounting Officer until May 2015, I have received a letter of assurance from the former Commission Operating Officer to confirm that she too was satisfied that control systems operated effectively during the period for which she acted as Accounting Officer.

I am satisfied that the Commission also fully complied with the principles of the Corporate Governance Code.

I am satisfied that the LGO Executive and Leadership Teams have been able to manage and control the organisation's resources effectively throughout the year to ensure the effective and efficient delivery of a high quality service to the public and the achievement of key business plan goals. Although the service now operates on an extremely lean resource base, limiting its resilience to deal with fluctuations in internal capacity or external demand, I am satisfied that there is a robust system of risk and programme management to ensure that risks are identified and mitigated, and that LGO's limited resources are deployed with maximum effectiveness to achieve the Commission's strategic objectives.

# Remuneration and Staff Report

## Remuneration Committee

During the financial year 2015-16, the Remuneration Committee met twice 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 2014-15 a 2.2% pay award was granted with effect from 1 January 2015. There was no pay award in 2015-16.

## 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.

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

## Ex-officio Commissioner

Dame Julie Mellor DBE is an ex officio Commissioner and the Parliamentary and Health

Service Ombudsman (PHSO). The PHSO is not remunerated in respect of her statutory responsibilities as a LGO Commissioner.

## Advisory Members

The current members are Sir Jon Shortridge, Chair of the Audit and Risk Assurance 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 two 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 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.



## Remuneration of senior staff (audited by the Comptroller and Auditor General)

Name	Position	2015-16				2014-15			
		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	-	41	180-185	135-140	-	27	165-170
Michael King*	Chief Executive	95-100	-	142	235-240	80-85	700	25	105-110
Nigel Ellis	Director of Operations	90-95	-	34	125-130	85-90	1,100	26	110-115
Heather Lees**	Commission Operating Officer	10-15	-	3	10-15	85-90	-	26	110-115

**Note: No bonuses were paid in 2014-15 and 2015-16.**

\* Michael King served as Executive Director (full time equivalent salary - £84,189) until 1 May 2015 when he was appointed Chief Executive (full time equivalent salary - £96,960).

\*\* Heather Lees left the Commission on 8 May 2015. Her full time equivalent salary was £84,189.

### 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.

## Ombudsman and senior staff pension entitlement details (audited by the Comptroller and Auditor General)

The Ombudsman and her senior staff have the same pension arrangements as other Commission staff as detailed in note 1.7.

	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 31/3/16	2015-16	at 31/3/16	at 31/3/15	2015-16
	£000	£000	£000	£000	£000
Jane Martin	60-65	2.5-5.0	1,039	965	58
	Lump sum -	-			
Michael King	40-45	5.0-7.5	575	470	95
	Lump sum 75-80	10.0-12.5			
Nigel Ellis	5-10	0-2.5	106	81	15
	Lump sum -	-			
Heather Lees	5-10	0-2.5	70	67	1
	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.

## Staff costs (audited by the Comptroller and Auditor General)

	2016 £000	2016 £000	2016 £000	2015 £000
	Permanently employed staff	Others	Total	Total
Wages & salaries	6,471	-	6,471	6,365
Social security	551	-	551	543
Other pension costs*	2,892	12	2,904	6,963
	9,914	12	9,926	13,871
Temporary staff	-	239	239	229
Redundancy costs	7	-	7	27
	9,921	251	10,172	14,127
Indirect staffing costs**	98	-	98	71
<b>Total</b>	<b>10,019</b>	<b>251</b>	<b>10,270</b>	<b>14,198</b>

\*This includes £11,995 (2014-15: £11,870) relating to pension payments to a retired Local Government Ombudsman and a surviving widow. In addition it includes a one-off payment of £1,520,000 (2014-15: £5,600,000) towards the Commission's share of the deficit of the LPFA pension scheme.

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

## Staff numbers (audited by the Comptroller and Auditor General)

At the end of March 2016, the Commission employed 165 FTE (excluding one part time agency worker) of whom 106 were female and 59 were male.

	2016	2015
Average number of full time equivalent staff employed:		
Permanently employed	159	160
Other*	5	5
	<b>164</b>	<b>165</b>

\*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 shown in the 'Remuneration of senior staff' table on page 52.

## Reporting of compensation schemes - exit packages (audited by the Comptroller and Auditor General)

	2015-16		2015-16	2014-15		2014-15
Exit package cost bands £000's	Number of compulsory redundancies	Number of other departures agreed	Total	Number of compulsory redundancies	Number of other departures agreed	Total
<£10	-	2	2	5	-	5
Total number of exit packages	-	2	2	5	-	5
<b>Total cost (£000)</b>	<b>-</b>	<b>11</b>	<b>11</b>	<b>27</b>	<b>-</b>	<b>27</b>

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

## Off payroll Engagements

There were no off payroll engagements in the year.

## Consultants

Consultants are employed when it is better value for money to do so on specific projects when specialised skills are required. During the year, the total expenditure on consultants was £19,025.

## Sickness absence data

During the year 1,203 working days were lost through sickness absence: 634 of which were due to long term sickness absence. This equates to 2.9% of working time lost (2014-15: 2.5%). This compares to a national average of 3.7% (as reported in the Chartered Institute of Personnel and Development absence management report published in October 2015). There were no reportable trends in the period.

## Commission staff survey

The Commission conducted its biennial staff survey in January 2016. To ensure the confidentiality and independence of the survey it was sponsored by Carol Brady, one of the Commission's independent advisory members. Questions were developed in consultation with staff representatives and included, for the first time, measures to test the impact on staff of key business plan objectives. The results were reported at the Commission's April meeting and reflected a high level of staff participation (82% response rate).

The results showed net positive scores in all areas, with satisfaction levels at over 90% on several key questions. In almost every area where there is a direct comparison with previous surveys, the level of positive feedback has been maintained, and in many cases significantly improved. The one area where satisfaction has noticeably decreased is in relation to the working environment, where there was a fall from 88% to 56%. This decline follows a significant change in working conditions for all staff as a result of the relocation of LGO offices to shared government accommodation with different standards of space utilisation and less control over the office environment. The LGO Executive Team will be taking what action it can to address those concerns in each of the new offices, and will be drawing up a wider Leadership Team plan to tackle other areas, such as internal communications and consultation, which were also identified for improvement.

## Fair Pay disclosures (audited by the Comptroller and Auditor General)

	2015-16	2014-15
Band of the highest paid individual total (£'000)	135-140	135-140
Median Total Remuneration (£'000)	41	41
Ratio	1:3.4	1:3.4

In 2015-16, no employees (2014-15: nil) received remuneration in excess of the highest-paid Commission member. Remuneration ranged from £18,989 to £140,000 (2014-15: £20,357 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 2015-16 was £135,000-£140,000 (2014-15: £135,000-£140,000). This was 3.4 times (2014-15: 3.4) the median remuneration of the workforce, which was £40,830 (2014-15: £40,830).

## Advisory Members' Remuneration (audited by the Comptroller and Auditor General)

The remuneration of the Advisory Members in 2015-16 was as follows:

	Status	2015-16 Total remuneration	2014-15 Total remuneration
Carol Brady	Advisory Member	£2,454 (including £454 expenses)	£1,155 (including £155 expenses)
David Liggins	Advisory Member	£5,432 (including £1,427 expenses)	£7,134 (including £2,634 expenses)
Sir Jon Shortridge	Advisory Member	£5,600 (including £600 expenses)	£5,576 (including £576 expenses)

## Employment of People with Disabilities

The Commission gives full and fair consideration to applications for employment made by people with disabilities. Candidates for employment or promotion will be assessed objectively against the requirements for the job, taking account of any reasonable adjustments that may be required for candidates with a disability. Disability will not form the basis of employment decisions except where necessary.

If a member of staff becomes disabled, the Commission will make reasonable adjustments to its standard working practices, arrangements or premises to overcome barriers caused by disability.

The Commission supports and encourages all aspects of the career development and promotion of staff with disabilities.

## Equal opportunities

The Commission seeks to ensure that no discrimination occurs in recruitment or employment because of age, disability, sex, gender reassignment, pregnancy, maternity, race (which includes colour, nationality and ethnic or national origin), sexual orientation, religion or belief, or because someone is married or in a civil partnership.

The Commission will provide equality of opportunity in all aspects of employment including recruitment, promotion, opportunities for training, pay and benefits.

The Commission strives to ensure that that everyone is treated with dignity and respect is an important aspect of ensuring equal opportunities.

# Parliamentary Accountability & Audit Report

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## Losses and special payments

During the year no losses or special payments were made (2014-15: £nil).

## Contingent liabilities

The Commission does not have any contingent liabilities.

**Michael King**  
**Accounting Officer & Chief Executive**  
**29 June 2016**



## 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 2016. 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 and Staff Report and the Parliamentary Accountability Disclosures that are 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 2016 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 and Staff Report and Parliamentary Accounting Disclosures to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- > the information given in the Performance Report and the Accountability 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 and Staff Report and Parliamentary Accounting Disclosures 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

**30 June 2016**

# Statement of Comprehensive Net Expenditure

		2016	2015
	Note	£000	£000
<b>Operating income</b>		(57)	(51)
<b>Operating expenditure</b>			
Staff costs	3.1	10,270	14,198
Pension loss/(gain)	3.2	(697)	(5,269)
Accommodation costs	4.1	933	732
Office expenses	4.2	562	648
Professional costs	4.3	344	245
Depreciation & amortisation	6 & 7	204	297
Meeting & travel costs		147	156
<b>Total operating expenditure</b>		<b>11,763</b>	<b>11,007</b>
<b>Net operating expenditure</b>		<b>11,706</b>	<b>10,956</b>
<b>Net interest costs</b>	5	<b>916</b>	<b>1,027</b>
<b>Net expenditure for the year</b>		<b>12,622</b>	<b>11,983</b>
<b>Other comprehensive expenditure</b>			
<b>Items which will not be reclassified to net operating costs</b>			
Pension fund actuarial loss/(gain)	12g	(4,220)	8,633
<b>Total comprehensive expenditure</b>		<b>8,402</b>	<b>20,616</b>

The notes on pages 66 to 87 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	2016 £000	2015 £000
<b>Assets</b>			
<b>Non current assets</b>			
Plant & equipment	6	141	152
Intangible assets	7	146	273
<b>Total non current assets</b>		<b>287</b>	<b>425</b>
<b>Current assets</b>			
Trade & other receivables	8	169	360
Cash & cash equivalents	9	2,914	2,733
<b>Total current assets</b>		<b>3,083</b>	<b>3,093</b>
<b>Total assets</b>		<b>3,370</b>	<b>3,518</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade & other payables	10	(1,024)	(1,248)
Provision for dilapidations	11	-	(222)
<b>Total current liabilities</b>		<b>(1,024)</b>	<b>(1,470)</b>
<b>Total assets less total current liabilities</b>		<b>2,346</b>	<b>2,048</b>
<b>Non current liabilities</b>			
Pension scheme liability	12e	(24,913)	(28,897)
<b>Total non current liabilities</b>		<b>(24,913)</b>	<b>(28,897)</b>
<b>Assets less liabilities</b>		<b>(22,567)</b>	<b>(26,849)</b>
<b>Taxpayers' equity</b>			
General Fund		2,346	2,048
Pension Reserve		(24,913)	(28,897)
<b>Total Taxpayers' Equity</b>		<b>(22,567)</b>	<b>(26,849)</b>

The notes on pages 66 to 87 form part of these accounts.

**Michael King**  
Accounting Officer  
29 June 2016

**Dr Jane Martin**  
Chair  
29 June 2016

# Statement of Cash Flows

	Note	2016 £000	2015 £000
<b>Cash flows from operating activities</b>			
<b>Net expenditure for the year</b>		(12,622)	(11,983)
Adjustments for:			
Depreciation & amortisation	6 & 7	204	297
Loss on sale of non current assets	4.2	5	26
Finance costs/(income)	5	(17)	(21)
(Increase)/decrease in trade & other receivables	8	191	(110)
(Increase)/decrease in trade & other payables	10	(224)	325
Decrease in provision for dilapidations	11	(222)	(233)
Non-cash pension charge/(credit) included in net expenditure for the year		236	(4,221)
<b>Net cash outflow from operating activities</b>		<b>(12,449)</b>	<b>(15,920)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant & equipment	6	(72)	(81)
Purchase of intangible non current assets	7	-	(91)
Proceeds on sale of non current assets		1	-
Interest received	5	17	21
<b>Net cash outflow from investing activities</b>		<b>(54)</b>	<b>(151)</b>
<b>Cash flows from financing activities</b>			
Receipts of Grant-in-Aid financing		12,684	16,213
<b>Net cash inflow from financing activities</b>		<b>12,684</b>	<b>16,213</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>181</b>	<b>142</b>
<b>Cash &amp; cash equivalents at beginning of period</b>		<b>2,733</b>	<b>2,591</b>
<b>Cash &amp; cash equivalents at end of period</b>	9	<b>2,914</b>	<b>2,733</b>

The notes on pages 66 to 87 form part of these accounts.

# Statement of Changes in Taxpayers' Equity

	Note	General Fund	Pension Reserve	Total Taxpayers' Equity
		£000	£000	£000
<b>Balance at 31 March 2014</b>		<b>2,039</b>	<b>(24,485)</b>	<b>(22,446)</b>
Grant-in-Aid financing	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	-
<b>Balance at 31 March 2015</b>		<b>2,048</b>	<b>(28,897)</b>	<b>(26,849)</b>
Grant-in-Aid financing	2	12,684	-	12,684
Total comprehensive expenditure for the year		(12,622)	4,220	(8,402)
Transfers between reserves in respect of pension fund costs		236	(236)	-
<b>Balance at 31 March 2016</b>		<b>2,346</b>	<b>(24,913)</b>	<b>(22,567)</b>

The notes on pages 66 to 87 form part of these accounts.

## Nature and Purpose of Reserves

### General Fund

This Fund represents the cumulative surplus of income over expenditure at the date of the Statement of Financial Position. The majority of this surplus was accumulated under a previous grant funding arrangement and is therefore largely a historical legacy. It is represented on the Statement of Financial Position as a cash balance and it represents reserves for the ongoing operations of the Commission, excluding the deficit arising from the Commission's participation in the Local Government Pension Scheme. However, the Commission is only able to incur expenditure within its delegated expenditure limits (DEL) which are agreed with the sponsor Department each year. Approval from the Department for Communities and Local Government would therefore be needed to use the General Fund, in excess of DEL.

### 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 2015-16 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 the Department for Communities and Local Government (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 2016 shows net liabilities of £23m. 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 17 December 2015 the Government published 'A public service ombudsman: government response to consultation'. This document reiterates Government's previously stated intention to create a single public service ombudsman, integrating the existing jurisdictions of the Local Government Ombudsman and the Parliamentary and Health Service Ombudsman.

It is not anticipated that any legislative proposals for ombudsman reform will be published before summer

2016. Should a Draft Bill be brought forward, it will be subject to pre-legislative scrutiny, through a process yet to be determined by Parliament. Following the successful completion of that process, any proposals would then be subject to clearance across Government and would need to find a suitable opportunity to be considered by Parliament. If legislation received Royal Assent, the Commission estimates that the operational integration of the LGO and PHSO schemes would take a further 18 months, during which time LGO would need to continue to function as a standalone body operating its own jurisdiction.

Given the current context, we are satisfied that these proposals do not give rise to a material uncertainty around the going concern status of LGO at this stage. The Commission's 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 Pension scheme

The Commission is an admitted body of the Local Government Pension Scheme, administered by the London Pensions Fund Authority (LPFA). This is a multi-employer defined benefit 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.

### 1.8 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.

### 1.9 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:

- > Furniture and fittings  
2-7 years
- > Information technology  
3-4 years

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.

### 1.10 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.

### 1.11 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.

### 1.12 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 its 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.

#### > 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.

### 1.13 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 IFRSs 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 (see 1.14).

### 1.14 Adoption of new and revised IFRS or FreM interpretations

#### International Financial Reporting Standards (IFRS)

IAS 8 requires disclosures in respect of new IFRSs, amendments and interpretations that are, or will be applicable after the reporting period.

There are a number of IFRSs, amendments and interpretations that have been issued by the International Accounting Standards Board (IASB) that are effective for future reporting periods. The Commission has not adopted any new IFRS standards early on the grounds that the changes would have no, or an immaterial effect on these accounts, and would not provide additional information that would aid the reader.

#### Financial Reporting Manual (FreM)

Every year HM Treasury issues a new FreM, which interprets IFRS for the public sector. There are no known changes which will affect the Commission.

### 1.15 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.

### 1.16 Segmental reporting

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

## 2 Grant-in-Aid

The Commission received funding from two Government departments in 2015-16. In addition to the core funding, office relocation and pension deficit funding from the Department for Communities and Local Government (DCLG), monies were received via DCLG from the Department for Education. Grant-in-Aid is accounted for in the Statement of Changes in Taxpayers' Equity, as discussed in note 1.4.

	2016 £000	2015 £000
DCLG	12,601	16,047
DfE	83	166
	<b>12,684</b>	<b>16,213</b>

Represented by:	2016 £000	2015 £000
Revenue	12,529	15,988
Capital	155	225
	<b>12,684</b>	<b>16,213</b>

### 3.1 Staff costs

	2016	2015
	£000	£000
	Total	Total
Wages & salaries	6,471	6,365
Social security	551	543
Other pension costs*	2,904	6,963
	9,926	13,871
Temporary staff	239	229
Redundancy costs	7	27
	10,172	14,127
Indirect staffing costs**	98	71
<b>Total</b>	<b>10,270</b>	<b>14,198</b>

Analysis of Commissioners'/Senior Management's salaries can be found on page 52 in the Remuneration and Staff Report.

\*This includes £11,995 (2014-15: £11,870) relating to pension payments to a retired Local Government Ombudsman and a surviving widow. In addition it includes a one-off payment of £1,520,000 (2014-15: £5,600,000) 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)

	2016	2015
	£000	£000
Current service costs	2,119	1,594
Past service costs, including curtailments	6	-
Administration expenses	90	77
Contributions by the employer*	(2,912)	(6,940)
<b>Total</b>	<b>(697)</b>	<b>(5,269)</b>

\* The cost of the contributions by the employer are included in other pension costs in note 3.1 and in 2015-16 include a one-off payment of £1,520,000 (2014-15: £5,600,000) towards the CLAE share of the pension deficit.

### 3.3 Reporting of compensation schemes - exit packages

The reporting of compensation schemes - exit packages can be found on page 55 in the Remuneration and Staff Report.

### 3.4 Staff numbers

Information about staff numbers can be found on page 55 in the Remuneration and Staff Report.

## 4 Operating expenditure

4.1 Accommodation costs		
	2016	2015
	£000	£000
Rent & rates	875	806
Other expenses	51	69
Utilities	16	66
Repairs & maintenance	-	7
Write back of dilapidations provision	(16)	(230)
Health & safety	7	14
	<b>933</b>	<b>732</b>

Rent and rates includes costs incurred under commercial operating leases at an office in Coventry (vacated in July 2015) as well as an office in York (vacated in March 2015). It also includes ongoing costs incurred under three different Memorandum of Terms of Occupation (MOTO) at DCLG offices in London, at DfE offices in Coventry and at DEFRA offices in York.

2014-15 rent included a period of six months where part of the rent at the London office was waived.

4.2 Office expenses		
	2016	2015
	£000	£000
Computers & telephone	456	479
Insurance & other office expenses	51	61
Loss on sale of non current assets	5	26
Furniture & equipment rental	22	45
Postage & stationery	28	37
	<b>562</b>	<b>648</b>

4.3 Professional costs		
	2016	2015
	£000	£000
Legal & litigation	141	49
Internal & external audit	46	46
Commission fees	11	11
Professional fees & subscriptions	64	43
Publicity & research	82	96
	<b>344</b>	<b>245</b>

External audit remuneration totals £30,500 (2014-15: £30,500). No remuneration was paid to the external auditors for non audit work in 2015-16 (2014-15: nil).

Legal services were previously provided by in-house salaried staff but from August 2015 were outsourced to solicitors from an approved panel procured jointly with PHSO. This has resulted in an increase in legal & litigation costs in 2015-16 but there is an overall efficiency saving when total legal related costs are considered as a whole.

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

4.4 Amounts paid under operating leases		
	2016	2015
	£000	£000
Buildings	857	651
Other	4	13
	<b>861</b>	<b>664</b>

2014-15 rent included a period of six months where part of the rent at the London office was waived.

## 5 Net interest costs

	Note	2016	2015
		£000	£000
Interest on pension fund assets	12i	2,064	2,256
Interest on pension fund liabilities	12h	(2,997)	(3,304)
Bank deposit interest		17	21
		<b>(916)</b>	<b>(1,027)</b>

## 6 Plant and Equipment

	Plant & machinery	Furniture & fittings	Information technology	Total
	£000	£000	£000	£000
<b>Cost</b>				
At 01 April 2015	245	710	360	1,315
Additions	-	63	9	72
Disposals	(245)	(710)	(45)	(1,000)
<b>At 31 March 2016</b>	<b>-</b>	<b>63</b>	<b>324</b>	<b>387</b>

<b>Depreciation</b>				
At 01 April 2015	241	708	214	1,163
Provided during the year	2	24	51	77
Disposals	(243)	(709)	(42)	(994)
<b>At 31 March 2016</b>	<b>-</b>	<b>23</b>	<b>223</b>	<b>246</b>

<b>Cost</b>				
At 01 April 2014	297	907	365	1,569
Additions	-	-	81	81
Disposals	(52)	(197)	(86)	(335)
<b>At 31 March 2015</b>	<b>245</b>	<b>710</b>	<b>360</b>	<b>1,315</b>

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

<b>Net Book Value</b>				
<b>At 31 March 2015</b>	<b>4</b>	<b>2</b>	<b>146</b>	<b>152</b>
<b>At 31 March 2016</b>	<b>-</b>	<b>40</b>	<b>101</b>	<b>141</b>

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



## 7 Intangible assets

	<b>Total £000</b>
<b>Cost</b>	
At 01 April 2015	1,093
Additions	-
Disposals	-
<b>Cost at 31 March 2016</b>	<b>1,093</b>

<b>Amortisation</b>	
At 01 April 2015	820
Provided during the year	127
Disposals	-
<b>At 31 March 2016</b>	<b>947</b>

<b>Cost</b>	
At 01 April 2014	1,011
Additions	91
Disposals	(9)
<b>Cost at 31 March 2015</b>	<b>1,093</b>

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

<b>Net Book Value</b>	
<b>At 31 March 2015</b>	<b>273</b>
<b>At 31 March 2016</b>	<b>146</b>

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

## 8 Trade and other receivables

	<b>2016 £000</b>	<b>2015 £000</b>
Trade receivables	37	11
Deposits & advances*	39	35
VAT receivable	38	93
Prepayments	55	221
	<b>169</b>	<b>360</b>

\* Deposits and advances includes staff loans for rail travel - £22,862 (2014-15: £17,894) and travel advances - £16,300 (2014-15: £17,100).

## 9 Cash and cash equivalents

	<b>2016 £000</b>	<b>2015 £000</b>
Cash at bank and in hand	2,914	2,733

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

Part of the cash balance represents the cumulative surplus of income over expenditure under a previous grant funding arrangement, held in the General Fund (see page 65).

The Commission requires approval from DCLG to utilise this fund.

## 10 Trade and other payables

Current Trade and other payables		
	2016	2015
	£000	£000
Trade payables	54	63
Other payables	348	343
Accruals & deferred income	622	842
	<b>1,024</b>	<b>1,248</b>

## 11 Provision for dilapidations

	2016	2015
	£000	£000
Balance at 01 April	222	455
Utilised	(206)	(3)
Provided in year	-	-
Written back	(16)	(230)
<b>Balance at 31 March</b>	<b>-</b>	<b>222</b>

	2016	2015
	£000	£000
Balance at 31 March 2016		
Current	-	222
Non current	-	-
	<b>-</b>	<b>222</b>

The Commission has no potential dilapidation liabilities associated with its estates portfolio. The previously occupied commercial properties for the offices in York and Coventry were vacated in March 2015 and July 2015 respectively, and dilapidation liabilities were settled. The Commission now occupies three properties which are part of the Government estate under MOTOs where there is no liability for dilapidations.

## 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 on behalf of both Local Commissioners and staff at the rate of 14.6% of pensionable remuneration (2014-15: 21.9%) plus regular fixed monthly payments totalling £486,970 for the year. In 2014-15 no fixed sum was paid; the deficit was incorporated in the 21.9% contribution. The combined total paid was £1,387,538 during 2015-16 (2014-15: £1,345,256). In addition a one-off payment towards the deficit of £1,520,000 (2014-15: £5,600,000) was paid. There were also payments in respect of curtailments and settlements arising from redundancies totalling £4,031 (2014-15: nil) 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 14.6% plus a fixed sum of £486,970. For the year commencing 1 April 2016, the rate specified is 14.6% plus a fixed sum of £508,884 although the actuary has confirmed the fixed sum is no longer compulsory due to the one-off payments made in 2015-16 and 2014-15. A new three year schedule of contributions will be determined by the actuary in 2016-17 and will take effect on 1 April 2017.

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 London Pensions Fund Authority (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 2015-16 amounting to £11,995 (2014-15: £11,870).

12.5 Further commentary is available in the Directors' Report on page 35.

12.6 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 gain for 2015-16 for the scheme.

#### a. Financial assumptions

Year ended:	31 March 2016	31 March 2015
	% pa	% pa
Inflation/pension increase (RPI)	3.3	3.3
Inflation/pension increase (CPI)	2.4	2.5
Salary increase rate	4.2	4.3
Pension increases	2.4	2.5
Discount rate	3.7	3.4

#### b. Demographic assumptions

Life expectancy in years from age 65	2016	2015
Retiring today - males	22.6	22.6
Retiring today - females	25.6	25.5
Retiring in 20 years - males	25.0	24.9
Retiring in 20 years - females	27.9	27.8

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

The actuary also made the following assumptions:

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

The actuary is not required to disclose an expected return assumption for the year to 31 March 2017.

## c. Estimated asset allocation

Year ended	31 March 2016	31 March 2015
	%	%
Equities	46	43
LDI/Cashflow matching	10	8
Target return funds	21	29
Infrastructure	5	5
Commodities	1	1
Property	4	3
Cash	13	11
<b>Total</b>	<b>100</b>	<b>100</b>

## d. Fair value of employer assets - CLAE share

	31 March 2016	31 March 2015
	£000	£000
Equities	28,267	26,033
LDI/Cashflow matching	6,169	4,504
Target return funds	12,944	17,346
Infrastructure	3,334	2,973
Commodities	272	558
Property	2,172	1,700
Cash	7,694	6,889
<b>Total</b>	<b>60,852</b>	<b>60,003</b>

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2016 is estimated to be -1%. 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 2016 £000	31 March 2015 £000
Fair value of employer assets	12d & 12i	60,852	60,003
Present value of funded obligation	12h	(85,765)	(88,900)
<b>Net (liability)</b>		<b>(24,913)</b>	<b>(28,897)</b>

In 2015-16 a one-off payment of £1,520,000 (2014-15: £5,600,000) was paid towards the pension deficit in addition to normal contributions of £1,392,000. Partly as a result of this payment, and the other factors identified in tables 12h and 12i (on pages 82 and 83) the deficit has decreased from £28,897,000 to £24,913,000. The main factor in driving this movement is the change in the financial assumptions which decreased the present value of scheme liabilities by £6,756,000 (see note 12g).

The deficit is calculated on the basis of prescribed assumptions under International Accounting Standards (IAS 19). These assumptions are more conservative than those used to calculate the deficit on an 'ongoing basis' where the fund continues to admit new members. Based upon advice from the actuaries, the Executive Directors estimate that the deficit at 31 March 2016 on an 'ongoing scheme' basis is approximately £2m.

The Commission is committed to managing and funding the pension deficit, working with the sponsor Department, who are the ultimate guarantor of the LGO scheme.

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

Year ended	31 March 2016 £000	31 March 2015 £000
Service cost	2,125	1,594
Net interest on the defined liability (asset)	933	1,048
Administration expenses	90	77
<b>Total</b>	<b>3,148</b>	<b>2,719</b>

## g. Remeasurements and other comprehensive income

Year ended	Note	31 March 2016 £000	31 March 2015 £000
Return on plan assets in excess of interest	12i	(2,536)	1,192
Other actuarial gains/(losses) on assets	12i	-	-
Changes in financial assumptions	12h	6,756	(10,824)
Changes in demographic assumptions	12h	-	-
Experience gain/(loss) on defined benefit obligation	12h	-	999
<b>Pension fund actuarial (loss)/gain</b>		<b>4,220</b>	<b>(8,633)</b>

Changes to the financial assumptions have decreased the present value of scheme liabilities by £6,756,000 at 31 March 2016. The most significant change and principal reason for this decreased liability is a change in the assumed discount rate from 3.4% (2014-15) to 3.7% (2015-16).

## h. Reconciliation of defined benefit obligation - CLAE share

Year ended	31 March 2016 £000	31 March 2015 £000
<b>Opening defined benefit obligation</b>	<b>88,900</b>	<b>75,984</b>
Current service cost	2,119	1,594
Interest cost	2,997	3,304
Change in financial assumptions	(6,756)	10,824
Change in demographic assumptions	-	-
Experience loss/(gain) on defined benefit obligation	-	(999)
Estimated benefits paid	(2,005)	(2,272)
Past service costs, including curtailments	6	-
Contributions by members	504	465
<b>Closing defined benefit obligation</b>	<b>85,765</b>	<b>88,900</b>

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

Year ended	31 March 2016	31 March 2015
	£000	£000
<b>Opening fair value of employer assets</b>	<b>60,003</b>	<b>51,499</b>
Interest on assets	2,064	2,256
Return on assets less interest	(2,536)	1,192
Other actuarial gains/(losses)	-	-
Administration expenses	(90)	(77)
Contributions by the employer	2,912	6,940
Contributions by members	504	465
Estimated benefits paid	(2,005)	(2,272)
<b>Closing fair value of employer assets</b>	<b>60,852</b>	<b>60,003</b>

**j. Sensitivity analysis**

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation	84,165	85,765	87,397
Projected service cost	1,837	1,881	1,927
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	85,942	85,765	85,589
Projected service cost	1,882	1,881	1,880
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	87,240	85,765	84,319
Projected service cost	1,926	1,881	1,837
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present value of defined benefit obligation	88,427	85,765	83,186
Projected service cost	1,929	1,881	1,834

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 2017	
Projections for the year to 31 March 2017	Year to 31 March 2017
	£000
Service cost	1,881
Net interest on the defined liability	904
Administration expenses	91
<b>Total</b>	<b>2,876</b>
<b>Employer contributions</b>	<b>983</b>

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

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

Estimated employer's contributions for 2016-17 are £983,000 (2015-16: £913,000).

### 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, £38,244 is due from HMRC (2015: £93,586). A further amount of £39,162 is due from current employees of the Commission and is to be collected through regular payroll deductions (2015: £34,994). 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.

	2016	2015
	£000	£000
Value of interest yielding deposits at 31 March	2,914	2,733
Income effect of a 1% increase in interest rates	29	27
Income effect of a 1% decrease in interest rates	(29)	(27)

#### 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 £2,913,780 (2014-15: £2,732,899). 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 2016 £000	31 March 2015 £000
<b>Buildings - amounts payable:</b>		
Not later than one year	399	677
Later than one year and not later than five years	159	447
Later than five years	-	-
<b>Total</b>	<b>558</b>	<b>1,124</b>
<b>Other - amounts payable:</b>		
Not later than one year	4	5
Later than one year and not later than five years	5	9
Later than five years	-	-
<b>Total</b>	<b>9</b>	<b>14</b>

### 14.2 Description of significant lease arrangements

During 2015-16, the Commission occupied two commercial premises under operating leases situated in Coventry and York where the leases expired. The lease for the York office expired in July 2015 and in March 2015 the Commission vacated this office and moved into property within the Government estate (DEFRA) under a Memorandum of Terms of Occupation (MOTO). The MOTO for the York office has a break option in 2018.

The lease for the Coventry office expired in September 2015 and in July 2015 the Commission vacated this office and moved into property within the Government estate (DfE) under a MOTO. The MOTO for the Coventry office has a break option in 2017.

In addition, the Commission occupied property within the Government estate in London under a MOTO.

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 2016 (2014-2015: 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 discloses the amounts. The Commission occupies premises in London where DCLG acts as the landlord.

In March 2015, the Commission's York office relocated to premises where DEFRA acts as landlord. DEFRA is regarded as a related party.

In July 2015, the Commission's Coventry office relocated to premises where DfE acts as landlord. DfE is regarded as a related party.

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 2015-16.

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 Events after the reporting period date

Dr Jane Martin's seven year term of office as Local Commissioner will end in January 2017. The approval to recruit a successor has been given by the Secretary of State for Local Government. This post was advertised on the Cabinet Office public appointment website closing on 10 July 2016.

The result of the referendum held on 23 June was in favour of the UK leaving the European Union. This is a non-adjusting event. In the context of LGO's accounts, management consider the main balance which may be affected by the result of the EU referendum to be pension assets. A reasonable estimate of the financial effect of this event cannot be made.

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.



# Notes

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# Notes

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