

Local Government  
**OMBUDSMAN**

Commission for  
Local Administration in England

# Making a difference



**Annual Report & Accounts  
2016-17**

# Commission for Local Administration in England

## **Local Government Ombudsman**

### Annual Report & Accounts 2016-17

(for the year ended 31 March 2017)

Accounts presented to the House of Commons pursuant to Section 7 of the  
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Local Government Act 1974 as amended by Section 35 of the Health Act 2009

Accounts presented to the House of Lords by Command of Her Majesty

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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 2017.

This is my first report as Local Government Ombudsman and Chair of the Commission since I was appointed earlier this year. It is a privilege to hold this role, but also a great responsibility. A responsibility because the LGO plays a vital role in holding public services to account, and I have seen first-hand the huge difference we can make to people's lives.

In the brief time since being Ombudsman, we have completed many investigations that have had an impact and made a difference to people's lives. Here are two examples. We achieved justice for a woman fostering three vulnerable children of a family friend, who had been given no support for six years; and

a homeless woman who had been turned away five times by her council when she asked for help.

But it is not enough to fix people's problems one by one. We must harness LGO's unique insight into where things are going wrong to help improve services for everyone's benefit. We did just that in the case of the homeless woman. Our investigation uncovered systemic issues with the housing service, so we recommended the council review its processes to avoid others being similarly affected. It agreed to do that.

I am proud of the work we did in 2016-17. We met all our time targets for investigations while maintaining customer satisfaction levels. Bodies in jurisdiction overwhelmingly complied with our recommendations to remedy the injustices we found. We also expanded the reach of our published reports and our complaint handling training programme.

This year we published three Focus Reports. These reports highlight key themes we see arising time and again in our casework and the lessons to be learnt. The first looked at

people suffering where health and social care services fail to work together properly. The second concentrated on the unfairness in how councils handle complaints about parking fines. Our third report focused on how families' lives are disrupted when help with school transport is removed without proper consideration.

We published an annual review of adult social care complaints. This not only highlighted the growth in issues we have seen about homecare services, but also served to raise public awareness of our role as the social care ombudsman. To better reflect the importance of that aspect of our work, we will in future be known as the Local Government and Social Care Ombudsman.

So in looking ahead, many of my priorities are about building on the great work we already do to remedy injustice and drive service improvements. I want to do more to help councils and care providers learn from our work, and to better aid public scrutiny. To do this, we will publish more detailed information about our complaints, particularly emphasising how councils and care providers are remedying complaints.

Over recent years we've seen an increasing proportion of complaints containing issues related to reduced local government resources. This is sometimes cited as a reason for service failures. For us to alter our expectations in order to accommodate these challenges would be to let down the public and the bodies in jurisdiction themselves. We will continue to hold public bodies and care providers to account against the law, relevant guidance and their own policies.

I was pleased to see the government publish the draft Bill for a Public Service Ombudsman in December. One of my growing concerns has been the increasing complexity of local service delivery. This has often meant the public, and sometimes even the service providers involved, are unsure where the lines of accountability lead when complex services fail. I continue to believe that a single route to access redress when public services go wrong can only be good for the public and for Parliament. With or without legislative changes, I am committed to build on the excellent relationships we already have with the other UK ombudsman offices and sector regulators to ensure that we

promote a joined up service for the public.

Finally I wish to thank everyone at LGO – the successes in this report are down to the skills and dedication of every member of staff. I also pass on thanks to Dr Jane Martin, my predecessor, for her contribution for much of the financial year and for her support for me in assuming my new role.

**Michael King**

**Chair, Commission for Local  
Administration in England**

**Local Government Ombudsman**

# Who we are, what we do

The Local Government Ombudsman helps to make sure local public services are held to account. We do this by ensuring the 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 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 delivered by all registered social care providers. Our powers to investigate extend to complaints about both publicly and privately funded social care. This means the public has a clear route for redress and does not have to navigate complex processes in what is often a confusing social care system.

We do not take sides. We provide an independent and impartial view of 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 there is a fair and independent Ombudsman who they can turn to if their complaint is not resolved properly.

As a result of resolving complaints and providing a remedy for individual injustice, we gather significant evidence of wider failings in public and social care service delivery. If these are not addressed, the public will face the same problems and need to raise the same concerns time and time again. In highlighting these types of issues, we play an important part in improving public services by helping local government and care providers to learn from mistakes.

We also work closely with partners in the advice sector, in Parliament and in public services to share the learning from our work.

The Executive Team is responsible for the day-to-day management of the LGO. The work of the Executive Team is overseen by the Commission for Local Administration in England ("the Commission"), which is chaired by the Local Government Ombudsman, Michael King. The Commission operates as the board of the LGO. It sets the strategic

priorities for the organisation and provides scrutiny and challenge on our performance against those priorities.

1. Michael King was appointed Local Government Ombudsman on 11 January 2017. He is also a member of the Executive Team.

Dr Jane Martin was Local Government Ombudsman until 10 January 2017.

2. Rob Behrens was appointed Parliamentary and Health Service Ombudsman on 6 April 2017 and became ex-officio member of the commission.

Dame Julie Mellor held the position until 5 April 2017.

3. Nigel Ellis was appointed Chief Executive on 8 February 2017.

4. Paul Conroy was appointed Director of Intake and Assessment on 20 March 2017.

5. Jayne Spence was appointed Head of Policy and Communications on 6 March 2017.

6. Karen Sykes was appointed Director of Investigation on 1 April 2017.

## Membership of the Commission



**Michael King - Local Government Ombudsman and Chair of the Commission<sup>1</sup>**



**Carol Brady  
MBE  
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<sup>2</sup>**



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

## The Executive Team



**Nigel Ellis  
Chief Executive<sup>3</sup>**



**Paul Conroy  
Director of Intake and  
Assessment<sup>4</sup>**



**Jayne Spence  
Head of Policy and  
Communications<sup>5</sup>**



**Karen Sykes  
Director of  
Investigation<sup>6</sup>**

## 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.

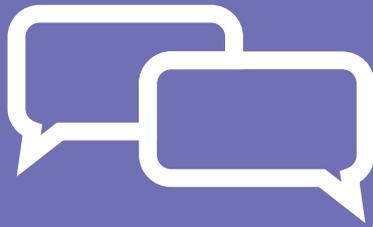
**To improve local services** - by sharing the learning from our investigations with all service providers, and by supporting democratic scrutiny of those services, we ensure that complaints become a tool for

local service improvement.

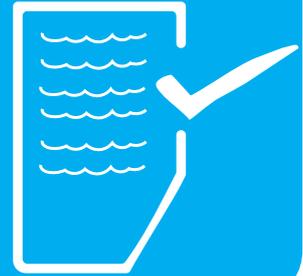
In meeting these dual roles, the Commission has set four strategic objectives against which we measure our performance.



99.7% of contacts to our Intake Team dealt with in 24 hours



3,940 recommendations made to remedy injustices



More than 1,200 council and care provider staff trained on effective complaint handling



All targets met to complete investigations swiftly



Customer satisfaction levels maintained



97% of councils believe our investigations have an impact on improving public services



# Chief Executive's performance report

We are pleased to report a strong performance against our four Strategic Objectives.

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

We exceeded or met all of our time targets for the speed of our investigations, with 79% of investigations completed within 13 weeks (against a target of 65%); 92% of investigations completed within 26 weeks (against a target of 85%); and 99% of investigations completed within 52 weeks (against a target of 99%).

Our customer satisfaction levels have remained broadly in line with last year's figures. In common with other Ombudsman schemes, we have continued to see a direct link between the outcome of a complaint and satisfaction with our service.

We received 183 complaints about our service. In 56 of these cases we found we did not provide the service we expect. This represents only 0.3% of all our complaints. Our External Reviewer, who provides public assurance that we investigate complaints about our service fairly, reported no significant issues this year.

We redesigned our website to make it easier for the public to make a new complaint and understand the complaints process. This resulted in clearer information, evidenced by fewer people complaining to us before exhausting the local complaints procedure.

Our Joint Working Team, which handles complaints that crossover the jurisdictions of the LGO and the Parliamentary and Health Service Ombudsman (PHSO), expanded and became established as part of our core work.

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

We continued our robust checks on the quality of our published decisions. This year we focused our effort on certain categories suggested by casework staff, rather than simply taking a random selection. The trend of consolidation and improvement since we began publishing our decisions, continued in 2016-17.

We saw a decline in the number of people who requested a review of their decision, and we found our decision did not meet the required standard in only

0.3% of the complaints and enquiries we decided. We also reviewed our processes and published a new leaflet to help complainants understand the review procedure.

We introduced a new initiative, chasing bodies in jurisdiction for confirmation they had implemented our recommendations. We only had to publish one public notice explaining why an organisation had decided not to comply with a recommendation.

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

We published, and promoted through the media, 30 detailed investigation reports where we uncovered issues in a single investigation that were of wider public interest. We published three Focus Reports, on different themes, in which we highlighted systemic issues identified through our casework that would enable service providers to learn from the mistakes of others. We published two widespread reviews of complaints, in local government and adult social care respectively, which accompanied a release of complaints data in these areas.

# Chief Executive's performance report

The results of our annual survey to bodies in jurisdiction demonstrated that our investigations continue to have an impact on improving public services, with this view becoming more prevalent, particularly among adult social care providers.

We met an increased demand for our complaint handling training courses, and trained more than 1,200 council and care provider staff in the year.

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

We maintained sound governance systems, and our effective financial management enabled us to continue to maximise the value we offer to the public. Our budget included a 1% reduction compared to the previous year, in addition to the 37% real terms cuts delivered in the previous four years. Careful management of the budget saw us save more than £700,000 during the year for the public purse.

A new Ombudsman was appointed seamlessly after the previous Ombudsman's term of office finished, and I was appointed as the Chief Executive (having previously

served as Director of Operations); this has retained continuity of leadership at the organisation. We also created a larger Executive Team to broaden the input into key decision making.

## **Managing Risk**

The LGO Executive Team actively monitors risks to delivering our strategic objectives against indicators set out in our Risk Assurance Map, and takes mitigating action where appropriate. The Commission oversees risk management, as advised by the Audit and Risk Assurance Committee.

In 2016-17 many of our risk indicators were set at green (low level) throughout the year. Risks elevated to amber by the Commission for some or all of the year, were due to uncertainties around the process for appointing a new Ombudsman and Chief Executive; the level of focus on complaints and redress at the emerging combined authorities; and the implications for the organisation as a result of the ombudsman reform debate.

## 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

## Overview of casework

At the start of the financial year we launched our redesigned website to provide clearer and more accessible information about the complaints process, how the LGO can help people and at what stage. Analysis of our website traffic and complaints data indicates this has been successful. This improved signposting meant we were able to help people find the information they needed from the website instead of deciding to register an enquiry with us at an early stage. This resulted in us having to refer fewer complainants back to the council or care provider because they had not yet given it chance to resolve the matter.

In 2016-17 we registered

19,077 new complaints and enquiries, which is 5% fewer than the 20,102 complaints and enquiries registered in 2015-16. This reduction is largely down to fewer complaints where the person came to us before completing the local complaints procedure. The number of registered complaints and enquiries does not include many of the queries we receive and help with at first contact, which are not registered onto our case handling system. In 2016-17 we dealt with 12,848 of these queries.

Where it is not possible or appropriate to resolve queries quickly at first contact, our assessment teams will explore them further. The number of

complaints and enquiries we did this for remained similar to the previous year at 11,526. Overleaf we explain how we helped in those cases.

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

We decided 11,526 complaints (compared with 11,833 in 2015-16)

6,755 cases were decided at the assessment stage and did not need more detailed investigation (compared with 7,041 in 2015-16)

4,771 cases were decided after a more detailed investigation (compared with 4,792 in 2015-16)

We helped these people by:

- > explaining why the issue is not in our jurisdiction or who else may be able to help
- > securing agreement to put things right

We resolved these complaints by fully investigating and:

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

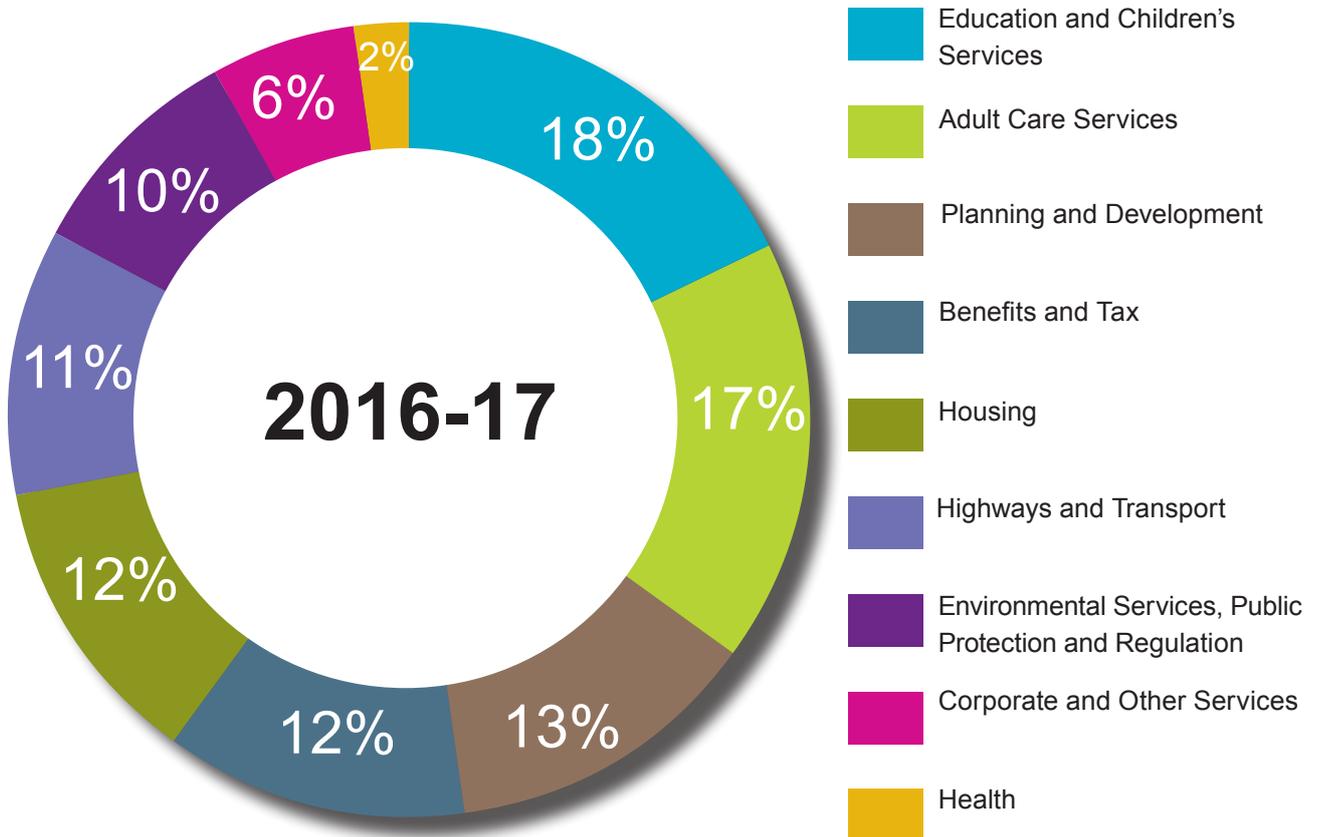
## Strategic Objective 1: an excellent service that is easy to find and use

The issues we help people with cover a broad range of local public services. In 2016-17 complaints and enquiries about adult social care continued to rise, as they have for a number of years; those about housing and

benefits and tax, declined. Complaints about health bodies investigated by our Joint Working Team, although a small proportion of our total caseload, increased significantly in percentage terms, as more cases

were referred to us by the Parliamentary and Health Service Ombudsman. Over the year this team helped 233 complainants who brought issues to us about 474 different organisations

### Breakdown of complaints received by category 2016-17



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

*“The investigator quickly developed a thorough understanding of the issues involved in the complaint and remained very diligent and committed throughout.”*

### Speed of Investigations

People coming to the LGO want a quick, but thorough, resolution to their complaint. We set ourselves targets to provide a quick decision to every complaint while having regard for the different levels

of complexity that each case demands.

This year we performed strongly in meeting or exceeding all our targets for the time investigations take.



### Managing Risk

We managed risk in this area by tracking our performance against our published standards and changes in the volume of incoming cases. For most of the year we marked these risks as green.

Progress against published standards is reported to the Commission each quarter. Throughout the year LGO met and exceeded most key performance targets.

Issues in the previous year with unacceptable levels of unallocated cases were brought within a normal level of tolerance. This was addressed by the Executive Team and casework managers placing a clear focus on individual, team and organisational performance. We gained approval and recruited a number of new investigators to bring us almost up to 100% of our planned capacity. This also

contributed to us reducing the level of unallocated cases. We subsequently began to monitor our staffing levels against planned capacity to mitigate for future vulnerability.

We saw no significant increase in risk to changes in incoming case levels. Across the year we saw fewer new enquiries while the number of cases referred for further assessment remained static.

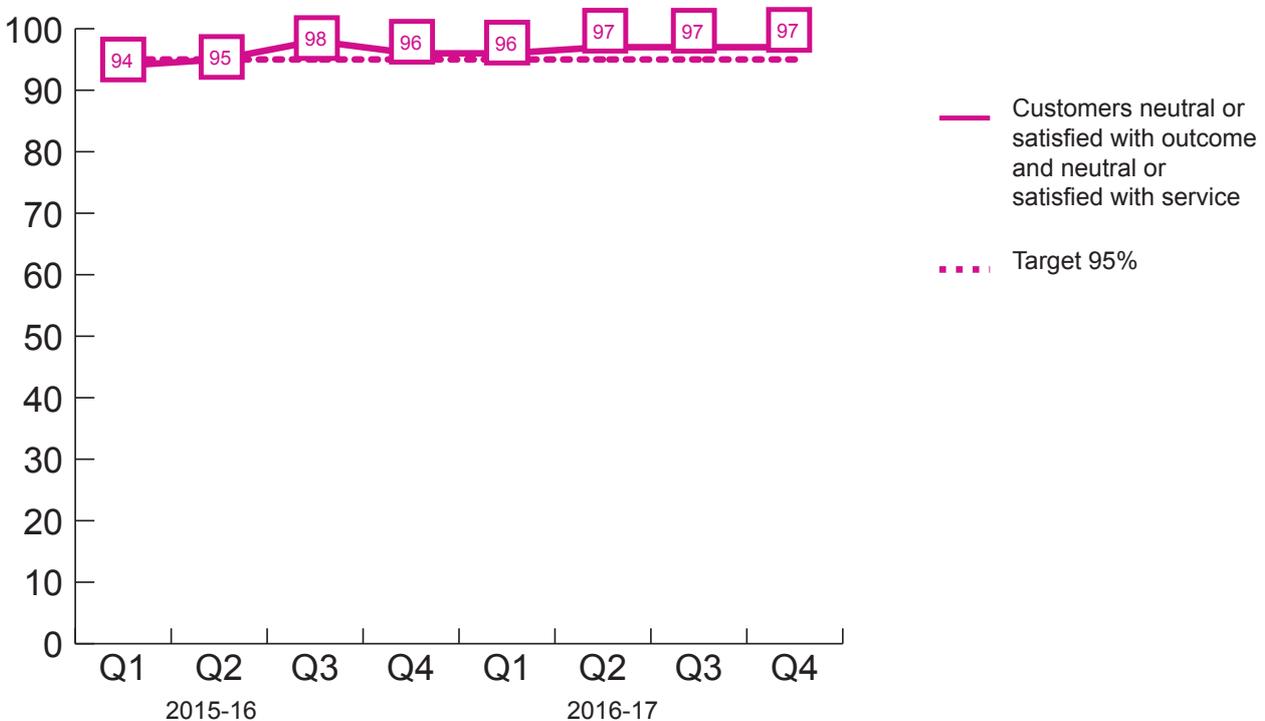
**Customer satisfaction**

One of the most important ways we measure the quality of service we give is by listening to the views of people who use us. Our customer feedback survey allows us to understand our customers' views about our service, identify what we do well and how we can improve, and monitor our performance over time.

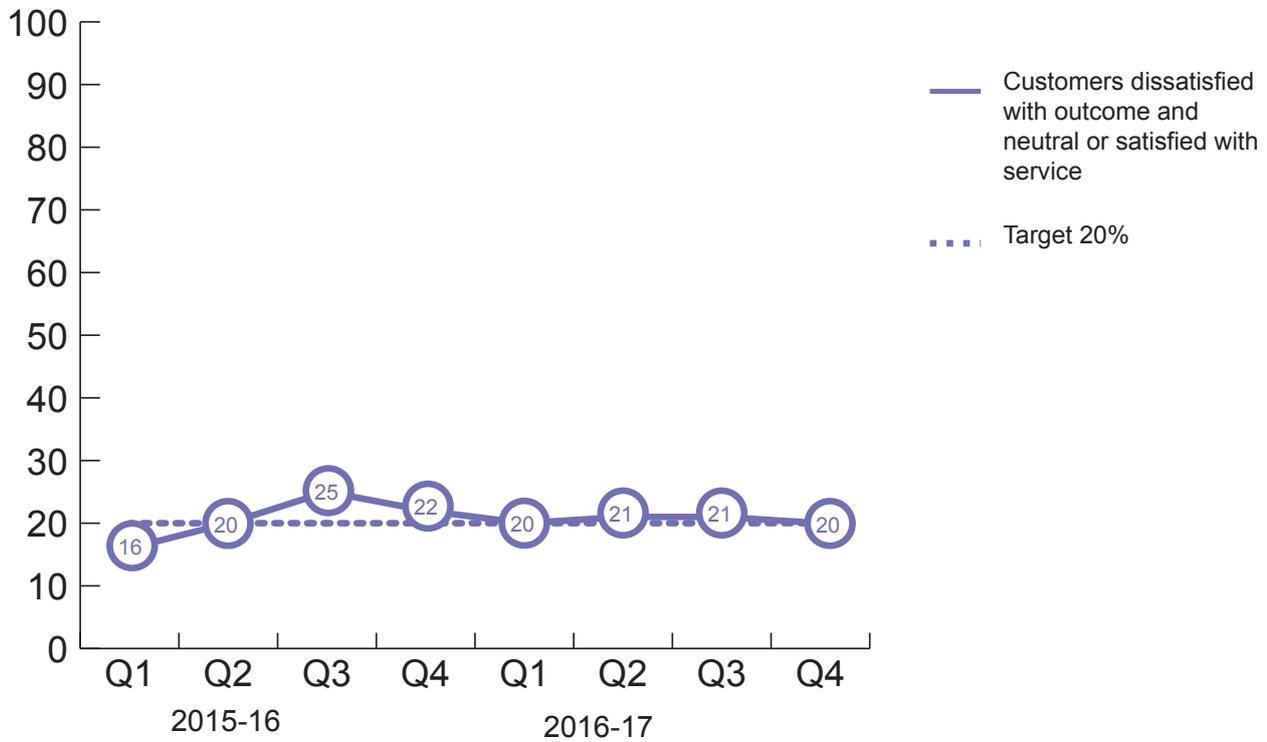
We know from our research, and that of other ombudsman schemes, there is a direct link between the outcome of a complaint and satisfaction with our service. Where complaints are upheld, we expect to see higher levels of satisfaction. So for 2016-17 we continued to set separate targets for those who are also satisfied with the outcome, compared to those who are not satisfied with the

outcome of their complaint.

Across the whole year our customer satisfaction levels for these two separate targets remained broadly in line with last year's figures. We continued to see those receiving a decision they are happy with, reporting a more positive experience of the service they received.



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



Alongside the two key performance indicators, we report key results to the Leadership Team and Commission quarterly. Team and individual results are also reported to managers to support performance management discussions.

Quarterly detailed reviews look at a sample of cases where people report satisfaction levels that are particularly high or low. This work helps us identify examples of good and poor practice, which we can share with our investigators and take steps to improve

our service for others. One of the learning points taken forward from the reviews was to provide additional explanation in our letters to help complainants understand the key points from decision statements.

### Managing Risk

We managed risk in this area by tracking external criticism about the performance of our service. The risk level was low this year.

Our media coverage is reported to the Commission

quarterly and monitored for sentiment; we recorded insignificant levels of negative coverage in the year.

The External Reviewer (see page 55 for details) did not raise any significant issues

in how we responded to service complaints. We also track any levels of criticism from the Information Commissioner's Office, and we did not receive any rulings requiring us to take action over a data loss.

## Strategic Objective 2: delivering effective redress through impartial, rigorous & proportionate investigations

### 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 our decision statements
Outcome of review requests	Core management data
Achieving remedies to our satisfaction	Casework management system reports

### Overview

Providing thorough, fair and impartial investigations is at the heart of why the LGO exists. We are often the first people to consider a person's complaint that is totally independent of the body complained about. An

investigation by the LGO can provide people with certainty their issue has been considered fairly and impartially.

Often the people coming to us have not been given a suitable remedy for the injustice they have suffered. By making well reasoned decisions and appropriate recommendations, we can ensure a suitable remedy is achieved.

## Strategic Objective 2:

delivering effective redress through impartial, rigorous & proportionate investigations

*“The official dealing with my complaint went to great efforts to get to the heart of my case and set out clearly what happened.”*

### Quality of our decision statements

Every four months we review a sample of our decisions, to monitor the quality of the decision making, consistency of outcome and how clearly we explained the decision. Our main reason for doing this is to gauge the proportion of our decisions that meet the required standards for publication.

Over time, we have refined our sampling process to focus more on areas of need suggested by casework staff, and some of our more complex cases. While this makes it difficult to draw meaningful comparisons with historical data, it has the benefit of allowing us to direct our resources to areas of greatest need. During 2016-17 our reviews found 80-87% of sampled decisions were written in a way that was suitable for publication. This outcome continues the trend of consolidation and improvement we have seen since 2012 when we began publishing our decisions.

Any decision intended for publication that is considered to fall below the required standards, is brought to the attention of the relevant staff. Cases may fall short of the required standards because, for example, they were not written as clearly as they should have been, they did not follow the recommended structure or they contained unnecessary detail. It is not that the decision itself was unsound.

We also carry out reviews of our investigations to monitor adherence to our quality and service standards. This involves reporting against seven standards, which include the promptness, consistency and clarity of decisions. We carried out 764 reviews in 2016-17 and in more than 97% of the cases, we were satisfied with the work undertaken to investigate the complaint.

## Strategic Objective 2: delivering effective redress through impartial, rigorous & proportionate investigations

### Managing Risk

We managed risk in this area by tracking the quality of our casework decision making. This represented a low level of risk this year. The reviews of our decision statements highlighted no significant concerns with inconsistencies in our decision making. As explained on the previous page, we saw improvement in the standard of decision statements

We will continue to monitor performance in this area and report to the Commission quarterly. We continued to feed back any lessons learnt from the reviews to the managers and individual investigators whose statements were reviewed. As a result of the previous year's audit and staff feedback highlighting a need, this year we provided telephone skills

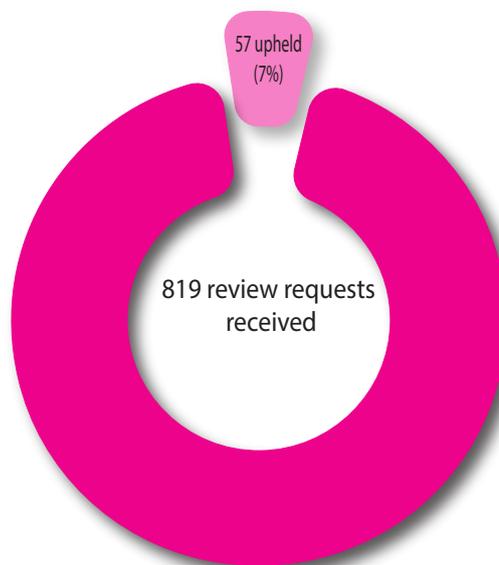
training for staff. We were pleased to report the positive result of the year's quality monitoring reviews. We don't consider this to be a high risk area, but we continue to address any individual problems we identify with the investigator concerned.

### Review Requests

The LGO's role is to provide resolution to the complaints process, so our decisions are final. However it is important we give complainants the opportunity to request a review of their decision if they feel it was based on inaccurate facts, or if new evidence that would affect the decision becomes available. A review is carried out by a senior member of staff not involved in their complaint.

Because we consult them on a draft of their decision, most people are satisfied they have had sufficient opportunity to submit their views even if they are

disappointed we didn't uphold their complaint.



In 2016-17 we saw 819 requests to review our decisions, which is a decline from the previous year's

total of 1,185. In 57 cases (compared with 69 in 2015-16), we decided our decision was not up to the standard expected. This reflects just 7% of review requests, and only 0.3% of all the complaints and enquiries we decided.

To provide assurance we were handling requests fairly and consistently, last year we reassessed our process for reviewing decisions. This resulted in us providing a new leaflet to better explain the difference between a decision review and a complaint about our service. We revised staff guidance and introduced new online forms for complainants.

## Strategic Objective 2:

delivering effective redress through impartial, rigorous & proportionate investigations

### Managing Risk

We managed risk in this area by monitoring the professional practice of our staff, as any deterioration in practice could have led to an increase in the number of requests to review our decisions. We also tracked any instances of disciplinary action against staff. The risk

level stayed low throughout the year.

The number of review requests reduced compared to the previous year and there were fewer cases where we did not provide the high quality of decision we aim for. We mitigated for

increased risk in this area by reporting our statistics for review requests to the Commission, Leadership Team and our staff. There were no instances of disciplinary action being taken to cause concern over the level of professionalism of our staff.

### Achieving remedy

Our investigations decide whether any action should be taken to put things right for people. If the person has suffered an injustice as a result of the organisation complained about, which has not been put right, we will make recommendations to remedy the situation.

People often come to us because, most of all, they want somebody to be held accountable for the mistakes that were made and to acknowledge the injustice they suffered. Therefore the first of our recommendations will often be for the council or care provider to make a frank and formal apology.

As an ombudsman, we have unique powers to make recommendations tailored to an individual's circumstances. Examples this year included arranging for a specific person to give one-to-one support to help an elderly man complete paperwork to get housing assistance; holding a meeting to discuss how a missing 250 hours of support for a boy with learning disabilities should be spent to help his development; and ensuring that adaptations to a disabled woman's house were carried out without delay to improve her quality of life.

The other common reason people come to us is to ensure other people do not suffer the same problems they did. Many of our recommendations are designed to either remedy injustices for others similarly affected by a complaint, or to prevent future injustices by reviewing policies and procedures. This year 69 people in one council area had their respite care reinstated after a blanket restriction had been applied without consideration of needs; training was recommended for planning committee members to help them better challenge planning officers' reports; and a group of councils reviewed their scheme to more effectively rehouse tenants that are victims of domestic abuse.

The powers we were given by Parliament to make recommendations recognise the democratic accountability of locally elected councillors. This means councils and care providers are not legally bound to implement our recommendations. Despite this, they almost always do.

This year we changed the way we monitor compliance with our recommendations. Previously, the onus was on the complainant to notify the

LGO if a remedy had not been implemented once the body in jurisdiction had agreed to do so. We now actively seek confirmation from the council or care provider that each recommendation has been complied with. This places the accountability for carrying out the agreed remedies clearly with the council or care provider.

The data we have recorded against this more rigorous approach shows that 96% of our recommendations were implemented within the time specified. This does not mean the remaining 4% of recommendations will not be complied with, but there may be circumstances for their delay. If a council or care provider formally decides not to comply, our statutory powers allow us to hold the body accountable by publishing a notice in the local press explaining why. We have had to publish one such notice this year.

## Strategic Objective 2:

delivering effective redress through impartial, rigorous & proportionate investigations

### Managing Risk

To manage risk in this area we tracked the level of trust from users of our service by monitoring the level of compliance with our recommendations and any adverse impact from litigation challenges. Our new approach to more rigorously holding councils and care providers to account for implementing our recommendations has resulted in only one instance

this year of a notice being published to explain why a body refused to comply. We will continue to report quarterly to the Commission on the number of cases where we haven't received confirmation of the remedy being provided within the time specified.

This year we had one legal challenge that, despite efforts to pursue alternative

dispute resolution, resulted in a county court hearing. We worked closely with our legal advisers to ensure our case was well represented. By the end of the year we were awaiting a verdict on the case.

For these reasons we marked this area with a moderate increase in risk this year.

### 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

### Overview

Our strategic objectives are built upon two foundations: remedying injustice and improving local public services. Through remedying individual injustices, we gather important insight into wider failings and systemic issues within local public services. To ensure we offer the best value to the public, local and national government, it is essential we use the learning from complaints to help local authorities and care providers improve services for the good of everyone.

We do this in a number of ways. Many of the recommendations we make not only remedy the injustice for the individual concerned, but are aimed at preventing further injustices to others.

Where we decide a faulty policy or procedure has contributed to the issues in a case, we will often recommend those policies are reviewed and the outcome of that review reported back to us within a specific timeframe. Many recommendations include training to front line staff to help improve awareness of, and skills to overcome, issues identified within an investigation. In 2016-17 we made 621 recommendations aimed at improving services.

Another way we use the learning from complaints to improve services is through transparent decision making. We publish anonymised versions of all decision statements on our website three months after closing

the case (except in a small number where publishing the statement may compromise anonymity). At the close of the year, we had more than 31,000 statements available to view. This decisions database not only opens us up to external scrutiny, it is also a valuable tool to help service providers improve their complaint handling and understand the type of remedies we recommend. Last year we made improvements to the decisions database to enable more detailed searching, and promoted it more widely on our website. We also launched a regular newsletter, sent to complaint handlers and practitioners, to drive further awareness of the resource.

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

If an investigation highlights issues of wider public interest, we publish a more detailed report of our investigation. 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.

We promote these public interest reports in the media, and councils are required to place public notices in the local press. Where appropriate, we ask complainants if they wish to respond to requests for interviews from the media. This can help to raise wider awareness of the learning points and highlight the personal impact of failings identified in a report.

We published 30 public interest reports in 2016-17 on a range of subjects. By raising awareness of these cases, all councils and care providers are encouraged to learn the

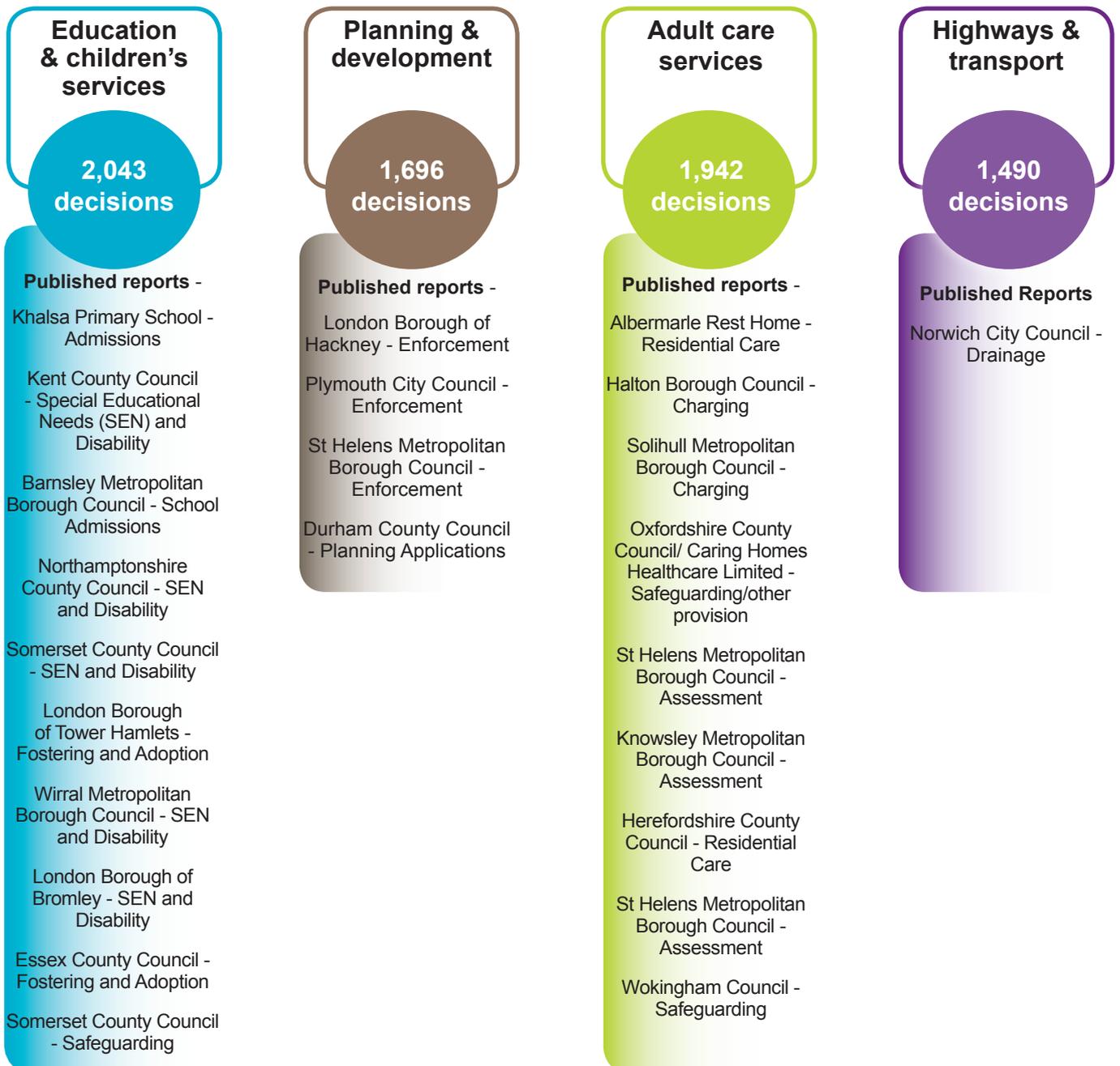
lessons from the mistakes of others, as well as the bodies concerned being held to account.

We established our Casework Impact Group to provide strategic oversight and accountability for raising awareness of our casework. The group is responsible for agreeing how we utilise our resources to maximise the impact of our investigations, engaging investigative staff in bringing forward casework of wider public interest and maintain a pipeline of reports. It meets monthly and reports back to staff via the LGO Leadership Team.

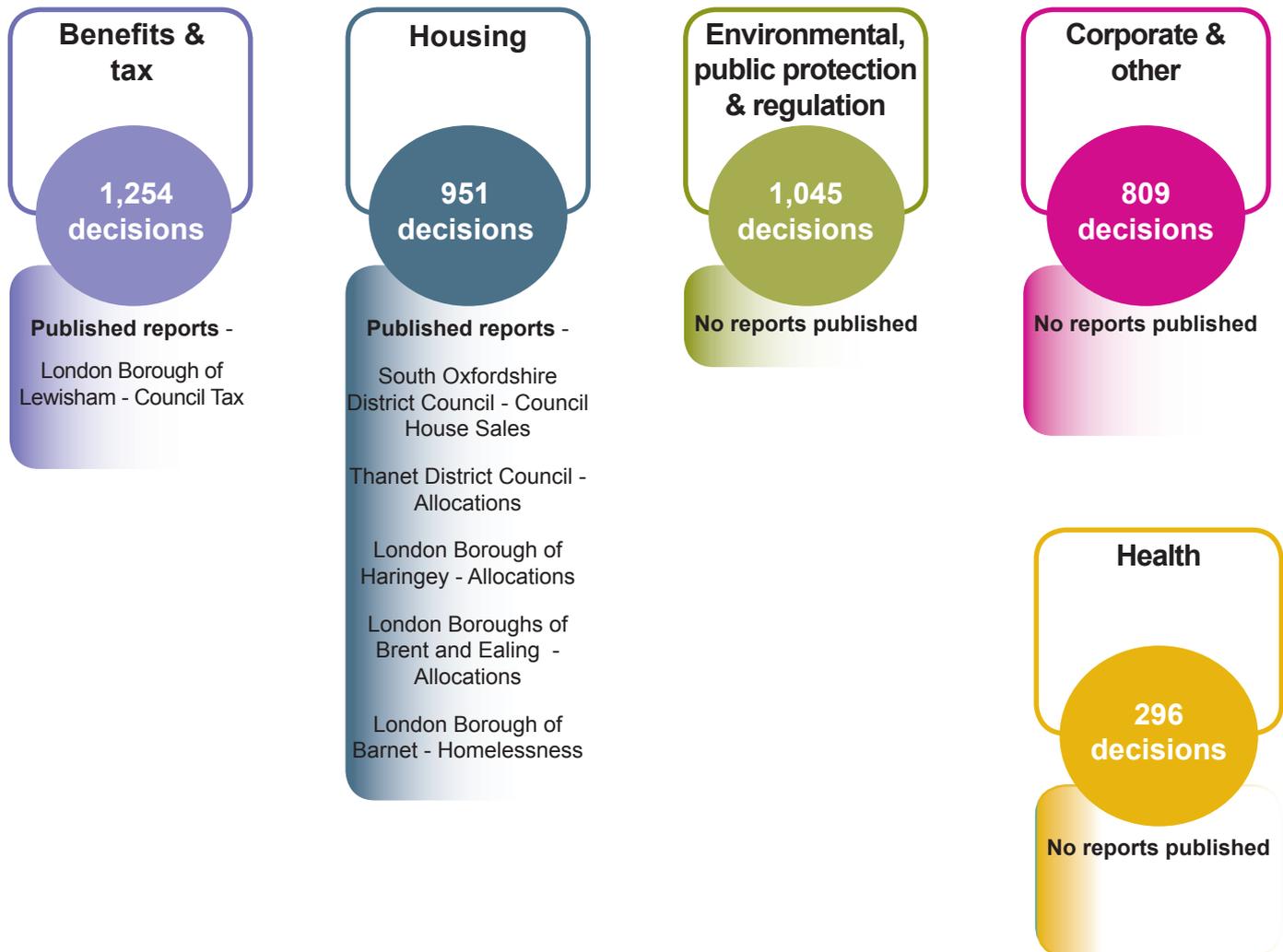
**Decisions and reports**

Our decisions are published at [www.lgo.org.uk/decisions](http://www.lgo.org.uk/decisions) and can be searched by theme, key word, category, decision outcome, date and organisation.

Our press releases to highlight our public interest reports can be found at [www.lgo.org.uk/information-centre/news](http://www.lgo.org.uk/information-centre/news)



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



## Thematic reports

Our investigations sometimes uncover issues and themes we see time and again across different councils and care providers.

To feed back the learning opportunities, we publish themed Focus Reports. They include case studies from our complaints which highlight the common issues we see, good practice advice based on our insight, and suggested questions for councillors to ask of their local authority to aid scrutiny of services. Our Casework Impact Group manages the forward plan of Focus Reports, based on analysis of our casework statistics and consideration of external factors.

Last year we published three Focus Reports:

### All on Board? Navigating school transport issues (March 2017)

We highlighted the issues families encounter when their free school transport is withdrawn. We emphasised that if councils are deciding to



change their school transport policies, they need to do so fairly, transparently, and communicate it effectively to families.

### Fairer Fines: ensuring good practice in the management of parking and traffic penalties (February 2017)

We called for more fairness over parking fines due to common problems found in explaining peoples' appeal rights. We said councils needed to properly consider 'informal challenges' to fines and be accessible to discuss legitimate concerns.



### Working together to investigate health and social care complaints (December 2016)

The report, published jointly with the Parliamentary and Health Service Ombudsman, profiled the work of the Joint Working Team and highlighted the benefits of integrating health and social care complaints investigations. It called on health and social care organisations to work more closely together in dealing with complaints, particularly communicating with each other and service users.



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

*“The mere fact that the LGO exists gives the public some reassurance that local authorities will behave correctly.”*

### Scrutinising complaints data

We published two sector-wide reviews of complaints across both local public services and adult social care. These were accompanied by the publication of our complaint statistics for councils and care providers. This data enables these organisations to use the intelligence from complaints data to support reviews of practice and compare figures with other bodies. They also provide councillors with information to scrutinise how this data is used locally.

Each year we send a letter from the Ombudsman to

councils, providing them with a summary of the complaint statistics we hold about their authority and feeding back on any learning points from their dealings with us over the preceding year. The letters we sent in 2016-17 provided additional information to focus the statistics more on the learning from complaints, such as a breakdown of how the upheld complaints were remedied.

These letters and statistics are published at [www.lgo.org.uk/information-centre/councils-performance](http://www.lgo.org.uk/information-centre/councils-performance).

The screenshot shows the Local Government Ombudsman website. At the top, it says 'Local Government OMBUDSMAN' with a search bar. Below that is a breadcrumb trail: 'Home > Information Centre > Reports and guidance > Annual reviews of complaints'. The main heading is 'Annual reviews of complaints' with an information icon and the subtext 'Data from our local government and social care complaints'. There are two buttons: 'Local government complaint reviews' and 'Adult social care complaint reviews', both with right-pointing chevrons.

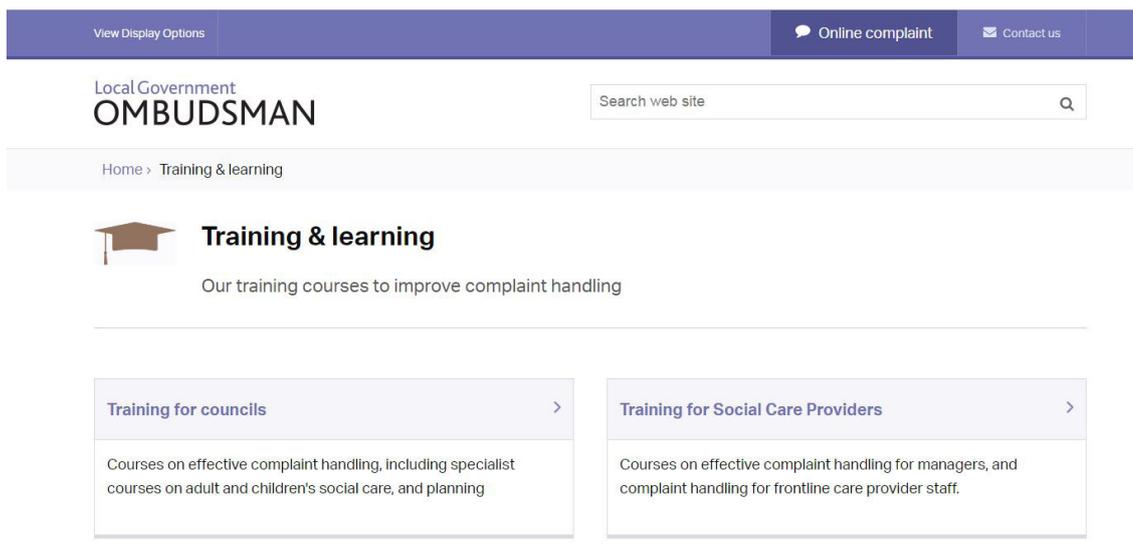
*“I was asked to attend this course rather than proactively requesting to attend. However, it surpassed my expectations and proved to be a very useful and enjoyable day.*

*“I think that it would be useful for more staff to attend this training course.”*

### Effective complaint handling training

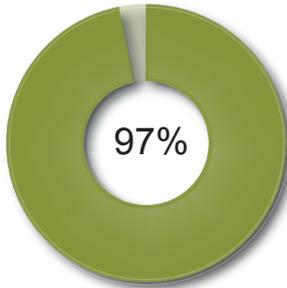
We have a well-established and successful training programme for local authorities and independent care providers to help improve local complaint handling. In 2016-17 we expanded our offer to include more courses for care providers, a dedicated online learning resource centre for delegates, and an eLearning course aimed at improving complainants’ experiences in the health and social care sectors.

We delivered 75 courses: 53 courses to local authorities and 22 to care providers - 20 of which were a successful trial of a new half-day complaint handling course for frontline care provider staff. We now offer the course as part of our core offer. We trained in excess of 800 council staff and more than 400 care provider staff in the year.

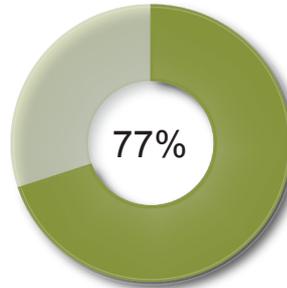


## Strategic Objective 3: learning from complaints to improve public services

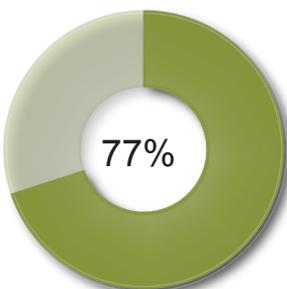
### Measuring the impact of our casework



97% of councils thought our investigations had an impact on improving local public services



77% of councils used our online decisions to support better complaint handling



77% of councils shared our annual letter with councillors or scrutiny committee



26% of councils thought our visibility had increased over the past year

As well as measuring and evaluating the media coverage of our reports, we also carry out an annual survey of bodies within jurisdiction to understand the contribution our work makes to improving services.

The results showed our work is continuing to support local accountability and have a significant impact on improving local public services.

The independent care provider sector does not have the same extensive history of being under the LGO's jurisdiction as local authorities. We recognise we have more work to do to promote our role to care providers and ensure our investigations have the same impact as they do for local public services.

Last year we held a series of seminars for the independent care sector to raise awareness of our role in that sector and the learning opportunities from complaints. The seminars were attended by more than 180 delegates. The results of our annual survey shows care providers believe we are having an increased impact - 76% of respondents thought our investigations had an impact on improving services, compared with 60% of respondents the previous year.

## Managing risk

We managed risk of failing to effectively use what we learn from complaints, by monitoring:

- > the quantity and impact of our casework in the media
- > our staff's commitment to supporting our external facing work
- > our relevance to stakeholders

This reflected a low level risk. We published 30 public interest reports, which is slightly more than the previous year. We published three Focus Reports and, with each one, achieved significant national media coverage to help share as widely as possible the opportunities for authorities to learn from our casework. Our Annual Review of Adult Social Care Complaints received more than 700 mentions in the media when launched, and was later the subject of an in-depth BBC investigation into the issues within the homecare sector. Our Casework Impact Group has been successful in its

first year in enabling us to plan our external impact opportunities more effectively.

Our staff have engaged positively in supporting our external impact work. The number of proposals brought to the Casework Impact Group for Focus Reports has increased, generating a healthy forward plan of subjects for future thematic reports. We also widened the pool of staff qualified to deliver our external training courses, to meet increased demand from councils and care providers.

The fact our service remains relevant to stakeholders was demonstrated by a number of factors. The government published its draft legislation for a new public service ombudsman and we worked closely with the Cabinet Office, in tandem with the Parliamentary and Health Service Ombudsman, to support its development. Chris Skidmore MP, Minister for the Constitution, was welcomed to our Coventry office to launch the draft bill.

Our bodies in jurisdiction survey showed 97% of council respondents believed our investigations had an impact on improving services, and the proportion of care providers expressing the same sentiment increased from 60% in 2015-16 to 76%.

The demand rose for our complaint handling courses as we delivered 75 courses in 2016-17 compared with 40 the previous year. We developed new trainers so were able to meet this increased demand, but we will continue to monitor the resource required if demand continues to increase.

We ask delegates for pre- and post-course information. One of the key indicators of the impact of our courses is whether participants' confidence in complaints-handling has improved following the course. Based on survey responses, we saw a 92% increase in delegates' confidence in dealing with complaints. The information from the post-course survey is fed back to our trainer and the council or provider.

## 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 Source
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	<ul style="list-style-type: none"> <li>&gt; Annual Report and Accounts</li> <li>&gt; Advisory Forum minutes</li> <li>&gt; Commission minutes</li> </ul>
We meet our financial performance standards	<ul style="list-style-type: none"> <li>&gt; Annual governance statement</li> <li>&gt; NAO audit of accounts</li> </ul>

### Ensuring Accountability

It is imperative that we are accountable to the public and use taxpayers' money efficiently and effectively. To maintain accountability we operate a strong system of internal controls, oversight from our board, and external scrutiny.

The Commission for Local Administration in England (CLAE) sits at the apex of these arrangements, with responsibility for running the Local Government Ombudsman scheme provided through the Local Government Act 1974. The Commission

sets our annual budget and business plan, and retains oversight of our performance through its quarterly meetings. The Commission is supported by the Audit and Risk Assurance Committee and a Remuneration Committee. Further details of these arrangements are set out in the Governance Statement in this report.

The Chief Executive is the Commission's designated Accounting Officer, and is responsible for the daily management of the LGO's business. This is delivered

through the LGO Executive Team, which is advised by a number of sub-groups. Further details are provided in the Directors' Report.

Our Advisory Forum, of people who have used our service, provides user feedback on our work. We also seek feedback through our customer satisfaction surveys, and our External Reviewer provides further public assurance on our performance.

Parliament exercises independent scrutiny of our performance through

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

the Communities and Local Government Select Committee. Our relationship with our sponsor department, the Department for Communities and Local Government, ensures

accountability to Government, and our external auditor is the National Audit Office.



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

### Managing Risk

To manage risk in this area we monitored two strategic indicators.

#### **We are sufficiently accountable to the public**

For some of the year we marked this as amber (medium level) due to some uncertainty, at the time, around the arrangements to appoint a new Ombudsman and chair of the Commission. The chair and an independent advisory member of the Commission engaged in discussions with the sponsor Department to ensure continuity of leadership during the period. Following an open recruitment process, the new Ombudsman was confirmed in post seamlessly after

the previous Ombudsman's term of office expired. A pre-appointment hearing by the Communities and Local Government Select Committee recommended the preferred candidate to the Secretary of State, ensuring the appointment was open and transparent. For these reasons the risk was adjusted to low level by the close of the year.

#### **Our efficient and effective use of resources**

Our governance and financial control systems operated effectively during the year, and an internal audit confirmed the highest level of assurance.

We conducted a review of our IT systems and Operational Support services to ensure they efficiently and effectively supported our business. We brought together the IT and Facilities Helpdesks into one function to improve our efficiency and resilience.

We undertook annual tests on our IT systems, including a security penetration test and a disaster recovery rehearsal. The Government Internal Audit Agency audited our management of cyber security, which provided a 'Substantial' assurance rating against potential vulnerabilities.

#### **Our performance this year**

We maintained sound governance and ensured efficient and effective delivery of our core business throughout 2016-17. Full details of performance against the above measures are contained within the

Accountability Report and Financial Statements later in this document. The LGO's Executive Team monitors financial performance against individual budgets on a monthly basis and reports variances to the Commission. The LGO's net expenditure for 2016-17 was £11,993,000 (see page 67) which was

a reduction of £629,000 compared to 2015-16.

## Value for money

We have continued to pursue efficiency savings throughout 2016-17 to maximise the value for money we offer to the public. The 2016-17 period also

marked the first year of the new spending review period and the budget included a 1% cut compared to the previous year. This was in addition to the 37% real terms cuts delivered in the previous four years. Careful management of the budget

during the year enabled us to return more than £700,000 to the sponsor Department within year.

The LGO operates with one of the lowest cost per complaint in the sector (£860).

## Managing Risk

To manage risk in this area we monitored two strategic indicators.

### Our access to resources to deliver strategic objectives

This risk was maintained at 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 allocated funding for the new spending review period from 2016 to 2020. Within this spending review, the LGO's funding in 2017-18 was proposed to be cut by 30% to reflect anticipated savings as a result of the proposed Ombudsman reforms and the operational transformation to create a single public service ombudsman. However, due to the delay in legislation, this saving in funding cannot be achieved in 2017-18. In order to address the risk

of underfunding, 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 the sponsor Department confirming a 'status quo' budget for 2017-18, on the basis of LGO continuing to operate as a standalone body. This 2017-18 budget included further savings of 2.9% compared to the 2016-17 budget.

The LGO Executive Team is confident these reductions can be implemented without compromising the delivery of core services to the public or the statutory functions of the organisation. Some concerns remain about the future funding of the scheme in the remainder of the spending review period, particularly due to uncertainties associated with the transition

towards a single public service ombudsman scheme and the effect this might have on LGO's standalone funding. However, LGO's finance sponsor team at DCLG has provided an assurance that the budget for 2018-19 will be reviewed subsequently in the light of developments with ombudsman reform.

Following appointment of the new Ombudsman, some increased risk was identified until the LGO filled gaps in the Chief Executive post and Executive Team. This risk was reduced by the close of the year with the appointment of a new Chief Executive, two Directors and a Head of Policy and Communications. They all form the basis of a strengthened LGO Executive Team.

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

### Whether we stay relevant and manage change well

We highlighted this risk as amber for most of the year. To ensure our service remains relevant in light of local government devolution, we continued to engage with the emerging combined authorities. We published new guidance to support them in integrating complaints systems into their structures which are accessible, effective and accountable. Being reliant on the involvement of partners, however, some areas of this work did not progress as quickly as we had hoped. Our 2017-18 corporate business

plan prioritises further work with the leading combined authorities and government to encourage a greater focus on redress in new devolution deals.

The other significant changing area in our external environment is the debate on ombudsman reform. We continued our commitment to work more closely with the PHSO. The Joint Working Team, which was set up to investigate the most complex cases which cross over the two organisations' jurisdictions, expanded and became part of our core work.

Government published the draft bill for a public service ombudsman in December. We had, along with colleagues at PHSO, fully supported the process and our considerable experience of working with local government and its unique accountability structures was evident in the draft legislation. However, it remains a medium level risk given the uncertainties around implications for the LGO as a standalone scheme in the short to medium term.

An analysis of this position and the implications for the 'going concern' status of LGO is set out on the next page.

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

In December 2015 the Government published 'A public service ombudsman: government response to consultation'. This document emphasises Government's 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). A year later, on 5 December 2016, a Draft Public Services Ombudsman Bill was published setting out proposed details for such a body.

It is the view of the Commission Accounting Officer that these proposals do not change the going concern status of LGO in 2017-18. In forming a judgement about the overall status of the organisation, the Accounting Officer has considered the steps that would be required to implement these proposals, and the inevitable uncertainties that currently exist around the timetable and outcome of the proposed changes. It does not appear there is any realistic

opportunity for the Bill to be considered by Parliament until the Autumn of 2017 at the earliest. Even then, it is very likely that parliamentary time for new legislation will be difficult to secure due to competing demands arising from the UK's decision to leave the EU. If legislation were to be introduced and receive Royal Assent, the Commission estimates the operational integration of the LGO and PHSO schemes would take a further 18 months, during which time the LGO would need to continue to function as a standalone body operating its own jurisdiction.

It is not appropriate to try 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 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.

**Nigel Ellis**  
**Chief Executive Officer**  
**26 June 2017**

## Leadership and direction

The Board of the Commission for Local Administration in England oversees the work of the Local Government Ombudsman scheme, providing strategic direction and governance. The Board is chaired by Michael King, who is also appointed as the Local Government Ombudsman. Dame Julie Mellor, the Parliamentary and Health Service Ombudsman, has been an ex-officio member of the Commission during 2016-17 and this role has now passed to Rob Behrens, as the newly appointed Parliamentary and Health Service Ombudsman. The Board also has three independent advisory members: Sir Jon Shortridge, David Liggins and Carol Brady MBE. The Secretary to the Commission is Nigel Ellis, the LGO's Chief Executive and Accounting Officer, who has prepared this report on behalf of the Commission. Further details of the Commission's governance arrangements are set out in the Governance Statement within this report.

The LGO's Executive Team is responsible for the operational direction and delivery of the scheme. The Executive

Team (ET) now comprises the Ombudsman, the Chief Executive, the Director of Intake & Assessment, the Director of Investigation and the Head of Policy & Communications. ET meets monthly and makes key decisions about staffing, operational policy, risk, business planning, finance, accommodation, technology, data, and service delivery issues.

The Executive Team works with a wider group of managers - the LGO Leadership Team - to facilitate inclusive and effective decision-making about the running of the scheme and good communication with staff. 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, the dissemination of learning and the delivery of corporate support functions.

This is the second full year in which the LGO has operated

with a Chief Executive/Accounting Officer. The five-person Executive Team is a new development to broaden the direct input into key decision-making and operational scrutiny.

## Staffing

Monthly monitoring of staffing levels against planned establishment and budget is carried out by the Executive Team, using clear performance measures set for staffing numbers and costs. This ensures LGO maximises its staffing capacity at all times. On average throughout the year, the actual number of staff in post has been more than 95% of the maximum staffing establishment set by DCLG and has at no time exceeded it.

Turnover and the proportion of days lost due to sickness have remained well below the sector average. When vacancies have arisen, they have generally been filled promptly, including investigators, complaints advisors, assistant ombudsmen and the Chief Executive. Towards the end of the year, a restructure of the Executive Team was undertaken which included making appointments to two new posts: Director of Intake

& Assessment and Director of Investigation to replace Director of Operations.

## 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 three offices in London, Coventry and York to shared accommodation in Government owned buildings and now delivers its services from these settings. This continues to represent a significant annual saving for the Department for Communities and Local Government (DCLG), when compared to the previous arrangements.

## Sponsor arrangements

LGO continues to enjoy a constructive and professional relationship with its sponsor department, the Department for Communities and Local Government. The Accounting Officer met regularly with officials from the Arms Length Bodies Sponsorship Partnership and Delivery Unit and there have also

been helpful meetings with the Director General, Local Government and Public Services. In addition, LGO participates in constructive meetings between different Arms Length Bodies, hosted by DCLG.

As an Arms Length Body, LGO's relationship with its sponsor Department is formally set out in a Framework Document. 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 as a draft in 2016, following detailed discussions with DCLG, and it emphasises the distinct character and independence of the LGO scheme. Formal approval of this document is still awaited and is expected shortly. Working arrangements with DCLG have remained clear and effective over the course of the year.

## Budget

In addition to the 37% real terms efficiency savings already made by LGO in the previous spending review period, further savings were successfully made in 2016-17, primarily from back office and accommodation costs. While this was achieved without detriment to the service or to staff, all involved now recognise LGO operates on an extremely lean budget. As a result, LGO 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.

As in previous years, the LGO Executive Team and Head of Finance prepared a detailed business case for DCLG in 2016 setting out the funding history of LGO, current spending patterns, and proposals for future budgets.

The budget for 2017-18 has been agreed by DCLG as £10.73 million.

## Pension arrangements

LGO staff are eligible for a defined benefit pension provided by the Local Government Pension Scheme. Most staff have chosen to be members of this scheme, which is operated on behalf of the LGO by the Local Pensions Partnership (LPP), previously known as the London Pension Fund Authority.

The Directors estimate that at 31 March 2017 the scheme has a surplus of approximately £1.4 million when measured on the basis used for the purposes of calculating future contribution rates (at 31 March 2016 there was an estimated deficit of approximately £2 million on this basis). The Commission has obtained funding for and made one off payments towards the pension liability in March 2015 (£5.6 million) and March 2016 (£1.52 million) and remains committed to managing and funding the pension liabilities through working with DCLG, who are the ultimate guarantor of the LGO scheme. The scheme continues to admit new members.

In the Financial Statements, the pension deficit is calculated on a different basis using a range of assumptions

chosen by management, with advice from the actuary, in accordance with International Accounting Standards (IAS 19). These assumptions are more conservative than those used for the purposes of calculating future contribution rates, and they result in a significant increase in the estimated liabilities of the scheme. Under this basis, the scheme has a deficit of £32.4 million at 31 March 2017 (2016: £24.9 million). This deficit is shown in the Statement of Financial Position on page 68 and more details are available in Note 12 to the Accounts on page 86.

In the previous year (February 2016) the sponsor Department approved an LGO business case seeking £1.52 million to reduce the Commission's outstanding pension deficit as it was at that time. As the scheme is in surplus at 31 March 2017 on the basis used for the purposes of calculating future contribution rates, no such funding was sought this 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 basis used for the purposes of calculating future contribution rates that will target a funding level of 100% in the medium term. 2016-17 was the final year of the previous three year schedule of payments and the actuary agreed the Commission did not need to make any deficit payments because of the individual payments of £5.6million and £1.52million made in March 2015 and March 2016 respectively. The scheme actuary completed a new triennial valuation as at 31 March 2016 and issued a schedule of payments covering the three years from 2017-18. This confirms the Commission is not required to make any deficit payments in 2017-20 because the scheme has a small surplus. In 2017-18 the Commission will continue to make the normal ongoing contributions at a rate of 13.8% of pensionable salaries (in 2016-17 this was 14.6%).

The scheme is a multi-employer scheme with employers from the education, charity, local government and private sectors. As many unrelated employers participate in the scheme, there is an orphan liability risk where employers leave the

scheme but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

In the unlikely event that the Commission withdrew from the scheme, or the scheme was wound up, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary. The Executive Directors estimate that the Commission's liability (and ultimately DCLG's liability) would be approximately £43m in this event.

## Procurement

LGO has conducted a review of its IT systems and Operational Support services to ensure they are efficiently and effectively supporting core work. This resulted in the IT and Facilities Helpdesks being brought together into one function. There was a forward work programme to implement new systems and replace life-expired hardware and software that will continue throughout 2017-18.

## Payment of suppliers

LGO has continued its commitment to ensuring prompt payment to its suppliers; demonstrated by adherence to an agreed 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 met its target, making 98% of supplier payments on time (99% in 2015-16).

## Legal and litigation

It is possible for complainants to pursue judicial review if they are dissatisfied with certain aspects of their case. This is a court process looking at legal flaws and not an appeal against the Ombudsman's decision. In the course of the year LGO received 19 potential judicial reviews through the issuing of a pre-action protocol (which the Court expects parties to use before commencing an application for judicial review). There were a further seven potential judicial reviews where this protocol was not followed. No judgments were made that were critical of LGO decisions during the course of the year. By the end of the year we were awaiting a verdict on one case.

Over the year, LGO received external legal advice and representation from Bevan Brittan, who were identified from a panel of legal firms procured jointly with the PHSO. These arrangements have worked well in practice and feedback from Investigators is extremely positive in comparison to the previous arrangement of employing in-house solicitors. However, in 2017-18, LGO will be putting this service out to tender to encourage external competition and ensure the organisation is obtaining the best value for money.

## Business plan

Each year, LGO sets out its business goals and proposed outcomes in the form of a detailed business plan. This includes milestones for delivering key actions and measures of success. Each item in the Business Plan has a senior responsible officer and a delivery lead who work together, often with the support of a small team of other staff. The key business benefits associated with each initiative are also identified and tracked.

Each item links explicitly to one of LGO's four Strategic Objectives:

1. We provide an excellent service that is easy to find and use
2. We deliver effective redress through impartial, rigorous and proportionate investigations
3. We use what we learn from complaints to improve local public services
4. We are accountable to the public and use public money efficiently and effectively.

Progress on delivering the plan is monitored each month by the Executive Team and every item has its own progress rating, giving details of any particular or unforeseen challenges. Progress against the plan is also discussed bi-monthly at the Leadership Team and reported quarterly to the Board. This helps LGO to co-ordinate and prioritise its work activities and resources, and ensure there is broad support for, and understanding of, developmental projects.

For 2016-17, LGO set out a broad programme of nineteen significant business initiatives

in its Business Plan and made excellent progress in pursuing these to completion. Our overall delivery performance improved and we completed 85% of projects in full and to plan. These included a review of the organisation's casework time targets, launching a new manual for complaint handlers, enhancing telephone skills to aid casework management, and introducing a series of changes aimed at maximising the impact of LGO's casework. We also continued to consolidate and grow our Joint Working arrangements with the PHSO. The Joint Working team now handles all our health and social care complaints and is fully integrated into our core business, as described below in more detail. Several other initiatives were related to ombudsman reform and preparing for the new Public Service Ombudsman.

A new and critical area of work we began in 2016-17 was to begin adapting to the changes in parts of the public sector. We focused specifically on those brought about by the devolution of powers and resources, and the introduction of new Combined Authorities through legislation that enables councils to collaborate and take collective decisions

across boundaries. The LGO's aim is to make sure our service keeps pace and remains relevant within a rapidly changing environment.

During the year we worked hard to engage with the new and emerging Combined Authorities, and those working with them. We made some important headway, for example through our meetings with representatives of the Manchester Combined Authority and the West Midlands Combined Authority. We started discussions about the importance that should be given to complaint handling among newly devolved authorities. We emphasised the need to ensure these new organisations tackle redress as an integral part of their role, with their staff and service users aware of complaints procedures and the LGO's role. During the year we developed and published a set of clear working principles to help achieve this. We recognise this is a particularly challenging area, given the nature of changes taking place across the country, but this work will remain a priority and continue in our new Business Plan for 2017-18.

## Joint working with other public bodies

In the spirit of fostering joined-up public services, LGO works closely with other ombudsman schemes and regulatory bodies operating in relevant sectors. We do this to make sure we co-ordinate initiatives wherever possible, avoid duplication of effort and ensure services are fully accessible to the public.

LGO operates an information sharing agreement and memorandum of understanding with the health and social care regulator, the Care Quality Commission (CQC). Under this agreement both organisations share information that enables a joined up approach to improving care services. LGO decisions are shared with CQC where a potential breach of the Fundamental Standards (nationally agreed minimum standards of care) is identified. This enables CQC to identify themes that feed into Alert Reports, which in turn may result in an early inspection of a care provision. There are also links between the two organisations' websites to help people find the information they require from either organisation. The Intake Teams in both organisations have linked up so we can efficiently transfer members of

the public by phone from CQC to LGO if they wish to register a complaint and vice versa.

During the year, LGO formalised an information sharing agreement with Ofsted, with a view to improving each other's intelligence of children's services. This means information about complaints handled by the LGO, that relate to a local authority's children's services, will be routinely shared with Ofsted. This will help to inform its inspection processes. The same principle applies following an Ofsted inspection of a local authority's children's services. Ofsted will advise the LGO of any concerns it has about the local authority's failure to implement policy and procedural changes recommended by the LGO following an investigation.

This was the second year of operation for the Joint Working Team established by the LGO with the PHSO. To offer a seamless service to the public, a small group of LGO staff and secondees from PHSO have worked together in an integrated team. The team is led by an LGO manager and uses LGO casework management systems. It delivers a joined-up service for some of the most challenging and complex complaints spanning health and social

services investigations. Originally started as a pilot, the team is now embedded as part of LGO's management structure. It provides an end-to-end service, assessing complaints – whether they arrive first at LGO or PHSO – and investigating potentially complex issues which overlap the jurisdictions of both schemes. This has shown itself to be a more customer-focused approach. During 2016-17 the team expanded to assess whether complaints needed detailed investigation or not. This step ensured the decisions are taken by investigators with an understanding of both health and social care services. There continues to be significant challenges with this new endeavour – for example the team has had to deal with relatively large influxes of older complaints – but we remain committed to resolving these for the benefit of the public.

Throughout the year, the Ombudsman and LGO staff have worked with PHSO colleagues to prepare for further convergence and to enable closer cooperation between the two schemes in future. Further details about this work can be found in the Governance statement.

# 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 (AO), 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 all steps that ought to have been taken, have been taken to make himself aware of any relevant audit information;
- > for establishing the auditors have been made aware of that relevant audit information;
- > for confirming the Annual Report and Accounts as a whole are fair, balanced and understandable;
- > for confirming he takes personal responsibility for the Annual Report and Accounts and the judgements required

for determining they are fair, balanced and understandable;

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

Under the Accounts Direction (the most recent version of which appears in Annex A), the Secretary of State for Communities and Local Government, with the consent of the HM 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.

## The Commission: membership and responsibilities

The Commission for Local Administration in England (“the Commission”) 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’s 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.

The Commission was chaired during most of 2016-17 by Jane Martin, who served as the Local Government Ombudsman to the completion of her term of office on 10 January 2017. Michael King took up the post of Local Government Ombudsman on 11 January 2017 and has been chair of the Commission since. Dame Julie Mellor, the Parliamentary and Health Service Ombudsman, was also an ex officio Commission member during 2016-17. She was succeeded by the new Parliamentary and Health Service Ombudsman, Rob Behrens, from 6 April 2017.

In addition to the two Commission members, there are also three independent advisory members of the Commission. These are, Carol Brady MBE, Sir Jon Shortridge, who is also the Chair of the Audit and Risk

Assurance Committee, and David Liggins, who is also the Chair of the Remuneration Committee. The Chief Executive and Accounting Officer, and the Director of Operations have attended Commission meetings in an advisory capacity during the course of the year, together with other senior staff as required.

## The Ombudsman

Under the Local Government Act 1974, the personal authority to investigate complaints is vested in the “Local Commissioner” (the Local Government Ombudsman). As stated above, this post was held by Jane Martin for most of the year, and then by Michael King from 11 January 2017.

All matters that relate to conducting investigations, exercising statutory discretion, determining the outcome of complaints, recommending remedies, and publishing casework outcomes are determined by, or on behalf of, the Ombudsman. 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, while the Ombudsman is accountable to the Secretary of State for Communities and Local Government in his role as Chair of the Commission, he is accountable to Parliament in his role as Local Government Ombudsman.

The Ombudsman has personally authorised specific categories of staff within LGO to make decisions on casework. This is set out formally in a scheme of delegation, enabling the organisation to operate efficiently and in line with its statutory duties.

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

The Commission's governance framework is structured in line with the recommendations contained in the 'Governance Review of the LGO'. This was 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 about the Ombudsman's role and powers. 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 an early opportunity should be found to amend the Act 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. But in December 2016, the Government published a Draft Bill to create a new Public Service Ombudsman.

The Commission welcomes this development. Among other benefits, it will ensure modern governance arrangements for the new Ombudsman are included in statute. Should the Draft Bill not proceed, we will look for an opportunity to implement the governance changes proposed in 2013.

As the Accounting Officer appointed part-way through the year, in preparing this report I have been given assurances from my predecessor that controls operated effectively during his tenure.

## The work of the Commission

Commission and committee attendances in 2016-17 are shown below.

Present	Commission meetings (5 in total)	Audit & Risk Assurance Committee meetings (4 in total)	Remuneration Committee meetings (2 in total)
Jane Martin (Chair and Commission member to 10 January 2017)	5	4	1
Michael King (Chair and Commission member from 11 January 2017)	5	4	1
Dame Julie Mellor * (Commission member and Parliamentary & Health Service Ombudsman)	3	1	N/A
Sir Jon Shortridge (Advisory member and Audit and Risk Assurance Committee Chair)	4	4	2
David Liggins (Advisory member and Remuneration Committee Chair)	4	4	2
Carol Brady MBE (Advisory member)	4	2	N/A

\* Dame Julie Mellor resigned from her position on the Audit and Risk Assurance Committee in July 2016. Subsequently, Carol Brady joined the committee in July and attended all remaining meetings in the year.

As in previous years, the Commission had oversight of the business plan development for 2016-17. At each of its meetings the Commission monitored progress, using

the pre-agreed milestones and outcomes. The plan identified nineteen key areas of development and delivery. Each was linked to the organisation's four Strategic

Objectives. A more detailed description of the content and progress against the year's business plan is contained in the Directors' Report.

LGO has adopted and published seven quality and service standards:

1. Our service is easy to access, we take full account of what people tell us and treat them with courtesy and respect.
2. We deal with each case promptly, from first contact to final decision.
3. The remedies we recommend are proportionate and appropriate.
4. We exercise our discretion fairly and consistently and are transparent about the process we follow.
5. Our investigations and assessments are impartial and we make clear, evidence-based decisions.
6. Our record keeping is accurate and we ensure that the data we hold is kept secure and confidential.
7. We use the outcomes of complaints to promote wider service improvement and learning.

Adherence to these standards is monitored through regular reporting to the Casework Managers Meeting and the Leadership Team Meeting. For each standard there are several indicators that identify if the standard is being met. Throughout the year, the Commission maintained oversight of the quality and service standards and received assurances they were generally adhered to. Where improvements were needed, they were pursued in a timely manner. For example, LGO improved the way it used information from regular customer satisfaction surveys to establish quality benchmarks for responses to certain key questions.

The Commission refined its internal control environment

during the year. This included amendments to the Risk Management Policy and Risk Assurance Map, and updates to the Financial Instructions and Financial Regulations. The key performance indicators reported to every meeting of the Commission were also re-designed. They provide clearer information both in graphical and narrative form, including trend data, to show how performance is changing over the course of time.

Before each of its formal business meetings, the Commission holds a workshop session to focus on particular topics. These provide members with an opportunity for broader strategic discussions that a business meeting would not normally allow. This year, workshop

sessions looked at:

- > customer engagement and satisfaction: provided an overview of the results from the rolling customer satisfaction research and explained how the organisation uses this feedback to identify areas for improvement;
- > Combined Authorities/ devolution: explained LGO's project work in this area and gave an overview of the current landscape of devolution deals and bids;
- > pensions: explained the operation of the LGO's pension arrangements and how different valuations are calculated;

- health and safety: highlighted the main risk areas and how these are managed. This included a discussion about the role of Commission members, including Carol Brady who acts as the Commission's health and safety champion.

In addition to attending the formal business meetings, Commission members also attended a two-day meeting with LGO managers. This session reflected on strategic challenges and contributed to content development for the 2017-18 business plan.

## Register of interests

Members of the Commission and LGO's senior executives are required to complete a declaration of interests disclosure form. These forms are published on the LGO website. There were no conflicts of interest that might compromise the LGO's independence or reputation.

Details of members' interests are available on the register of interests at [www.lgo.org.uk/information-centre/about-us/who-we-are/our-boards/commission](http://www.lgo.org.uk/information-centre/about-us/who-we-are/our-boards/commission)

## Commission staff survey

The Commission continued to oversee the implementation of actions arising from the 2016 staff survey. This was sponsored by Carol Brady, one of the Commission's independent advisory members. Over the year a range of actions were taken forward. These included reviewing and improving internal communications and adopting a new approach to recognise and reward exceptional contributions made by individual members of staff

## Gifts and hospitality

The Commission's policy is to not accept any gifts, hospitality or benefits from a third party which might be seen to compromise the personal judgement or integrity of its members or staff. LGO maintains a register for any gifts or hospitality that are received and which are not of a trivial nature. In the year no gifts or hospitality were received or offered that contravened the Commission's policy or were of an exceptional value.

Staff were reminded about this policy during the year and, following a discussion at the Leadership Team, it was agreed the register should be published on LGO's website.

## Commission and committee performance

Performance reviews of all Commission members and advisory members were carried out during the course of the year. In addition, the Chair of the Commission undertook a "360 degree" review. This sought feedback from other Commission members, LGO senior executives, the sponsor department and key stakeholders, on what was working well and what could improve.

Over the course of the year, different members of staff were invited to attend Commission and Audit and Risk Assurance Committee meetings as observers. These individuals have been invited to feed back their views to broaden participation in the work of the Commission.

## Compliance with the Corporate Governance in Central Government Departments: Code of Good Practice

In so far as the 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 has an Audit and Risk Assurance Committee with an independent Chair, Sir Jon Shortridge. Dame Julie Mellor, the Parliamentary and Health Service Ombudsman, David Liggins and Carol Brady (who replaced Dame Julie Mellor mid year), both independent members, make up the Committee.

Representatives of our internal and external auditors, the Accounting Officer and the Head of Finance also attended meetings. The Commission Chair also attends in an advisory capacity. The minutes of meetings, together with any recommendations, are reported to the Commission.

The Audit and Risk Assurance Committee advises the Commission on matters of probity, regularity (including compliance and financial reporting), prudent and economical administration, efficiency and effectiveness as identified by internal and external audit, and the performance of the Commission's system of internal control. In particular, this entails monitoring and scrutinising the work completed during the year by

the Government Internal Audit Agency, the Commission's internal auditors. The Committee undertakes its duties while having regard to the five good practice principles contained in the HM Treasury Audit and Risk Assurance handbook.

During the year the Committee met four times. At least one representative of the National Audit Office and the Government Internal Audit Agency attended each meeting.

The Committee reviewed its terms of reference (which had been updated in February 2016) and compared them with the HM Treasury model terms of reference. The Committee reviewed the Commission strategic risk register at each of its meetings and was satisfied risks were being effectively managed.

An internal audit plan for the year, containing six audits, was agreed. The details of these reports and the associated assurance opinions are set out in the table on page 50. The Committee monitored audit recommendations on a regular basis and welcomed the timely manner in which recommendations were implemented.

During the year, the Committee undertook two separate 'deep dive' reviews of specific strategic risks. The first was in June 2016 and examined strategic risk five. This related to the future resources available to LGO. In October 2016 it looked at strategic risk six which was about staying relevant and managing change well. Both reviews were considered to be a useful opportunity for the Committee to reflect on important aspects of strategic risk and make helpful suggestions for the future. It is planned to continue with this approach in different areas during 2017-18.

The Committee received regular reports on fraud and there were no incidences of fraud identified over the course of the year. The Accounting Officer and the Head of Finance undertook an annual assurance exercise in March 2017. This involved managers from all parts of the organisation and all budget holders, as part of a Leadership Team meeting. The exercise looked at how effective our controls were for bribery, fraud and key business risks. It checked the financial regulations and other key policies had been complied with.

The Leadership Team confirmed there were no significant areas of concern. They unanimously agreed to minute their positive assurance that no incidences of fraud or bribery had been identified during 2016-17. They confirmed they had no material concerns about the operation of LGO controls in relation to fraud, bribery, financial control and risk.

The Audit and Risk Assurance Committee produced an Annual Report on its work. This was presented at the Commission meeting when the Annual Accounts were submitted for approval. There were no significant issues arising during the course of the year. The Committee also reviewed the draft Annual Accounts for 2016-17, including this Governance Statement, and submitted comments on these before their approval by the Commission. The Committee was pleased to note the accounts were completed on time and in accordance with the agreed NAO timetable.

The Committee undertook its annual review of its effectiveness in May 2016. The review was used to reinforce the Committee's understanding of the five

good practice principles for Audit and Risk Assurance Committees. These are contained in the HM Treasury Audit and Risk Assurance handbook. Good practice examples, as observed by the NAO at other Committee meetings, were shared. The review also included a look at examples of good time management of Committee business, assurance frameworks and how they work in practice, and a refresh of the core requirements of terms of reference and how they can be used as a tool to drive Committee business. A number of actions were agreed to ensure that the Committee remained effective. Overall, the Committee was satisfied with its performance.

The Committee is satisfied with the comprehensiveness, reliability and integrity of the assurances it has received from GIAA as internal auditor, and with the service provided by the NAO as external auditor. It is also satisfied that the assurances GIAA have provided are sufficiently comprehensive to meet the Commission's needs.

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 operating effectively and are appropriate to the Commission's needs.

## Internal Audit

As with previous years, the Commission's Internal Auditor for 2016-17 was the Government Internal Audit Agency. It undertook a programme of six audits over the course of the year, as well as follow-up reports that reported progress of actions taken on recommendations from the audit work. This was 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 informed by the strategic risks identified by the Commission, and the operational and project risks identified in the LGO's risk registers.

The Government Internal Audit Agency and the external auditors (National Audit Office) were given ready access to the Audit Committee and its Chair, the Commission and its staff, as appropriate.

The table on this page sets out the reports received, and the associated assurance opinions. The Government Internal Audit Agency provides assurance on a four point scale of which 'Substantial' is the highest and 'Moderate' the second highest.

Audit	Assurance Level
Financial controls	Substantial
Counter fraud	Substantial
IT review of cyber security	Substantial
IT systems, equipment and processes	N/A (Advisory Report)
Governance and risk management	Moderate
Governance and Ombudsman Harmonisation	N/A (Advisory Report)

IT systems, equipment and processes was an advisory report commissioned by LGO to help the organisation to benchmark, assess value for money and ensure that its IT systems were fit for purpose.

The governance and risk management audit provided moderate assurance because certain processes needed updating to reflect recent organisational changes and to be fully aligned with business needs and practices. The remaining audits on financial controls, counter fraud and cyber security provided substantial assurances. The overall level of assurances were an improvement on the previous year.

All audit recommendations and management responses are formally recorded. They are monitored by the

Executive Team and are reported to each meeting of the Audit and Risk Assurance Committee. The Committee monitored these audit recommendations on a regular basis. It was fully satisfied that the LGO takes internal audit recommendations seriously, as is evidenced by the timely manner in which recommendations were implemented. At the end of the financial year, all of the recommendations had been completed by the due date, other than a minor point about reviewing the terms of reference for the Remuneration Committee. It was agreed this would be carried out in May 2017, rather than January 2017.

Based on the work undertaken during 2016-17, the Head of Internal Audit provided the Committee with the following overall assurance assessment:

*“In my opinion 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 2015-16. 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 is responsible for monitoring and reviewing strategic risks affecting the organisation and its ability to deliver its four Strategic Objectives.

To identify and assess sources of risk assurance for each of its strategic risks, the Commission has a risk management policy, a strategic risk register, and a risk assurance map. The key

strategic risks, which were updated by the Commission in February 2017, and their end-of-year RAG rating are in the table (below).

Operational and project risk registers were updated and reviewed by the Executive Team and the Leadership Team throughout the year. Appropriate actions were taken to respond to increased risk ratings. The strategic risk register was closely monitored by the Commission and was shared with DCLG. Risk management was also scrutinised by the Audit and Risk Assurance Committee (ARAC), including, for the first time, ‘deep dive’ reviews of particular areas selected by Committee members.

The Commission and ARAC are satisfied that, throughout the reporting period, risk was properly managed and effective

mitigating action was taken where appropriate.

Further information on the Amber risk is included on page 34.

The key risks identified and managed during the year related to uncertainties about Cyber security and other IT risks and the future funding of the LGO scheme. Both risks were actively managed over the course of the year. In addition the pension deficit remains a significant long-term liability using the IAS 19 basis (see page 38). The Commission has, however, actively managed the risk and taken professional advice, and the scheme is estimated to have a £1.4 million surplus at 31 March 2017. More details are available in the Directors’ report on page 38 and note 12 on page 86.

Risk	Rating
We do not deliver an excellent service and we are not easy to find or use	GREEN
We deliver ineffective redress because our investigations are not impartial, rigorous or proportionate	GREEN
We fail to use the learning from complaints to improve local services	GREEN
We are not sufficiently accountable to the public	GREEN
We fail to use public money efficiently or effectively	GREEN
We have insufficient resources to deliver our Strategic Objectives	GREEN
We fail to stay relevant and do not manage change well	AMBER

## Managing information security risks

Information security continues to be a high priority for the organisation, given the large volume of sensitive information held on LGO's computerised case management system. The Executive Director of Operations was designated as the Commission's Senior Information Risk Owner (SIRO) and was responsible for overseeing this business risk during the year. That responsibility has recently passed to the newly appointed Director of Investigation.

LGO information security policies and procedures were kept under review by the Information Security Review Group. This includes representation from relevant staff across the organisation. Reports were fed from the Group to managers, the Executive Team and the Commission. The Group also reviewed the information security incident log. It records all security incidents and data breaches. The Group recommended refining some procedures as a result. The Information Security Policy has since been updated and improvements communicated to staff.

All staff were required to undertake information security training. They had to read and sign to say they had understood the Information Security Policy. The Policy includes handling sensitive information, access security, working from home and incident reporting. Checks were undertaken to ensure compliance.

Information Asset Owners are assigned to ensure appropriate security, risk management, retention and disposal of electronic and hard copy data. The LGO operational risk register is also used to track risks and ensure the Leadership Team and Executive Team are kept regularly updated.

During the year an IT security penetration test was successfully undertaken. All issues have been fully addressed other than a small number of low or very low level priorities. A disaster recovery rehearsal was undertaken. Some learning points were encountered and noted to improve the process in future. A new system for streamlining the encryption and decryption of casework emails was also implemented.

The SIRO completed the DCLG Departmental Security Health Check for 2016-17. The SIRO formally declared that, in the light of our policies, procedures, training and the improvements made during the year, LGO is compliant with the relevant protective security requirements set out in the Security Policy Framework. There were no significant risks or Security Policy Framework exceptions. There was one breach during the year that required reporting to the ICO. This involved a disclosure of data from a PDF file which the member of staff thought had been redacted. This resulted in a change to instructions on redacting PDF files. No further action was required by the ICO. There were no other serious breaches.

## The Remuneration Committee

The Commission's Remuneration Committee advises and makes recommendations to the Commission, its Chair and its Accounting Officer on the remuneration of senior staff in the organisation, and the pay schemes for other staff.

The Committee met twice in 2016-17 and was chaired by David Liggins, an independent advisory member of the Commission. The two other members were the Chair of the Audit & Risk Assurance Committee (Sir Jon Shortridge) and the Chair of the Commission (Jane Martin until 10 January 2017 and Michael King after this point). The Committee was advised by the Accounting Officer and the Head of Human Resources, except on matters relating to their personal remuneration.

Over the course of the year, the Committee:

- > independently endorsed the Chair's annual appraisal of the Executive Directors' performance and her recommendations on their performance pay.

- > oversaw the fair operation of the LGO's Exceptional Contribution Award Scheme. Following moderation by the Committee, the Executive Team made eighteen awards to recognise exceptional work by staff across the organisation in the course of the year, and;
- > considered the new executive arrangements, providing feedback and endorsing proposals made by the Ombudsman.

The Committee continued to review the Ombudsman's performance through a 360 degree appraisal process. This was undertaken by the Chair of the Remuneration Committee against the objectives agreed with the Committee for 2016-17.

### Joint working with the Parliamentary and Health Service Ombudsman

The LGO continued to work closely with the PHSO. We looked at opportunities for closer convergence where this can lead to a better service for the public and bodies in jurisdiction.

As in previous years, we shared our business plan

with PHSO at an early stage to highlight opportunities for collaboration. One example of this was introducing a new way to encrypt emails which was already in use in PHSO. This enabled us to improve the way we shared personal and confidential information between the two organisations. It particularly helped our embedded specialist joint working team with their investigations of health and social care cases. As well as identifying practical examples, sharing our business plan also helped us check our proposed programme of work would not present difficulties for further convergence with PHSO in the future.

There continued to be regular communication throughout the year through a series of meetings between both Ombudsmen, meetings between senior staff and a joint meeting of both Boards to discuss strategic issues. We prepared for a new Public Service Ombudsman by agreeing a joint, supportive, position about the Draft Bill published in December. We worked jointly with officials to provide support wherever possible. LGO, PHSO, Cabinet Office, DCLG and Local Government and HM Treasury worked together

to identify an external body to undertake a detailed analysis of how the new Public Service Ombudsman might best represent value for money. This work could not be completed during the year but LGO remains committed to supporting its delivery in 2017-18. This is an evolving area of work which we continue to monitor and refine.

LGO has begun to seek expert advice on the longer term implications that the proposed Public Service Ombudsman may have on LGO pensions. This, along with other preparatory work, will continue throughout the course of 2017-18.

As detailed in the Directors' Report, LGO continues to host a Joint Working Team of LGO staff and investigators seconded from PHSO, who assess and investigate cases which span the jurisdictions of both organisations. This provides a joined-up service to complainants who rely on both health and social care and is providing important lessons about the problems which occur at the boundaries between different organisations.

## External advisory forums and reviews

LGO is impartial when making judgements on individual complaints, but we value the input of different stakeholders when we are developing our service. To reflect this, we operate an independent advisory forum and have an independent complaints reviewer to provide an additional layer of external challenge, accountability and feedback on our work.

The External Advisory Forum is made up primarily of members of the public who have used the LGO service, plus representatives from the advice and advocacy sector. The group met four times during the year, including a joint meeting with the Councillor Forum. The group's feedback proved to be invaluable in a range of areas including on the LGO's newly launched website and how people with additional needs are supported to use the service. The feedback helped inform the procurement of a staff training programme to enhance telephone skills, review of the online complaint form and the early development of a customer web-portal, which is a priority for the 2017-18 business year.

The Councillor Forum is made up of local authority elected members drawn from different parts of the country, from a cross-section of political opinion. The group met twice in the course of 2016-17, including the final meeting of the Forum in October 2016. One of the purposes of the group was to help shape and inform LGO's understanding of how complaints systems will operate within new local government structures. The feedback from the Forum contributed to the development of a set of key principles to help combined authorities deal with the complaints they receive. This was published in December 2016.

Over the course of 2016-17, Graham Manfield continued to act as the independent External Reviewer. He audited a random selection of LGO case files where the complainant had expressed dissatisfaction with some aspect of the case handling. Mr Manfield's role is appointed to on a fixed-term basis to ensure staff and managers are responding properly to such complaints, in line with the LGO's established quality standards. Graham Manfield's report is set out overleaf.

## Statement from the External Reviewer

Graham Manfield, has served with the Metropolitan Police and has considerable experience in evidence handling and supervising

investigations and complaints about service provision.

I have been the external reviewer of the Local Government Ombudsman since 2014. In examining service complaints I aim to reflect a user-led vision of the Ombudsman's service, giving an impartial view of whether the Ombudsman responds effectively and appropriately, identifying good practice and making recommendations if necessary. My reviews are also considered as part of the Ombudsman's quality assessment processes.

My reviews in August and February covered a wide range of complaints across all parts of the Ombudsman's process and included those relating to communication with service users and staff behaviour. The process for

ensuring that dissatisfaction with the Ombudsman's service is brought to the attention of managers without delay also featured. Once again I found that all of the service complaints I reviewed had been appropriately addressed by managers. As it is important that complainants are able to easily access the service I was again impressed that the individual needs of some service users had been recognised and adjustments made.

I made recommendations to the Ombudsman in respect of only five of the service complaints I reviewed, focusing on improving communication with complainants and supervisory processes including alerting managers

to service complaints. The Ombudsman has already introduced improvements which impacts on customer service as a result including revisions to guidance to staff and the information provided to complainants. Positive action has also been taken towards the recording of telephone calls which should increase transparency. I hope that these measures will 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 governance, risk management and 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 February 2017, I have received a letter of assurance from the former Accounting Officer to confirm that he too was satisfied that control systems

operated effectively during the period for which he acted as Accounting Officer.

I am also satisfied that the LGO has adopted principles of the Corporate Governance in Central Government Departments: Code of Good Practice, as far as is relevant, practical and appropriate for an arms-length body.

I am satisfied that LGO has been able to manage the organisation's resources effectively throughout the year. Through the hard work and commitment of its staff, and the Executive and Leadership Teams, the organisation has ensured the efficient delivery

of a high quality service to the public in line with LGO's strategic objectives. LGO has performed well against the goals set out in the Business Plan. I am satisfied there are robust systems in place to identify risks and to ensure appropriate and timely action is taken to mitigate their impact. It remains the case that, following the significant reductions in funding in recent years, the organisation's resilience to deal with unexpected changes in external demand or fluctuations in internal capacity is limited. However, I am satisfied these resources are deployed effectively and are fully focused on delivering an excellent service in line with LGO's statutory responsibilities.

**Nigel Ellis**  
**Chief Executive**

**26 June 2017**

# Remuneration and Staff Report

## Remuneration Committee

During the financial year 2016-17, 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; (retired 10 January)
- > David Liggins (Independent Chair); and
- > Sir Jon Shortridge KCB.
- > Michael King (appointed 11 January)

## Remuneration Policy

For 2016-17 a 1.0% pay award was granted with effect from 1 April 2016. 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 term of office

expired on 10 January 2017 and she was replaced by Michael King for a fixed term period of seven years.

## Ex officio Commissioner

Dame Julie Mellor DBE was an ex officio Commissioner and the Parliamentary and Health Service Ombudsman (PHSO) and was replaced by Rob Behrens in April 2017. The PHSO is not remunerated in respect of its statutory responsibilities as an 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 Department for Communities and Local Government (DCLG). It is based on the anticipated number of days to be worked.

## Senior staff

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

### Base pay

Base pay is analogous to Senior Civil Service Band 1.

### London weighting

London weighting is 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 terms of the Senior Civil Service Reward Scheme. Any consolidated increase in base salary is based on personal performance, the Review Body on Senior Salaries (SSRB), recommendations, government pay policy and DCLG guidelines. 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

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

Name	Position	2016-17				2015-16			
		Salary £000	Benefits in kind (To nearest £100)	Pension Benefits £000	Total £000	Salary £000	Benefits in kind (To nearest £100)	Pension Benefits <sup>7</sup> £000	Total £000
Jane Martin <sup>1</sup>	Ombudsman & Chair	105-110	-	(252)	(145)-(140)	135-140	-	41	180-185
Michael King <sup>2</sup>	Ombudsman & Chair	105-110	-	115	220-225	95-100	-	142	235-240
Nigel Ellis <sup>3</sup>	Chief Executive	90-95	-	43	135-140	90-95	-	30	120-125
Heather Lees <sup>4</sup>	Commission Operating Officer	-	-	-	-	10-15	-	3	10-15
Paul Conroy <sup>5</sup>	Director of Intake and Assessment	0-5	-	2	5-10	-	-	-	-

**Note: No bonuses were paid in 2015-16 and 2016-17.**

- Jane Martin retired as the Local Government Ombudsman and Chair of the Commission on 10 January 2017 her full-time equivalent salary was £140,000. At retirement, she exchanged an element of her accrued pension for a pension lump sum of £96,000, resulting in a reduced pension. The calculation of pensions benefits are defined under the FReM and include a multiple of 20 times the real decrease in the pension, offset by the real increase in the lump sum, hence the pensions benefit is negative.
- Michael King served as Chief Executive (full time equivalent salary £97,930) until 10 January 2017 when he was appointed Local Government Ombudsman and Chair of the Commission (full time equivalent salary £140,000).
- Nigel Ellis served as Executive Director of Operations (full time equivalent salary £93,069) until he was appointed as CE with effect from 8 February 2017 (full time equivalent salary of £101,300).
- Heather Lees left the Commission on 8 May 2015. Her full time equivalent salary was £84,189.
- Paul Conroy was appointed Director of Intake and Assessment on 20 March 2017 (full time equivalent salary £75,395).
- Karen Sykes was appointed Director of Investigations on 1 April 2017.
- Pension benefits have been restated following a recalculation of CETV data at 31 March 2016 by pensions administrators.

be awarded as part of the Senior Civil Services scheme in that year. The approval arrangements are the same as for consolidated awards. Individual performance is measured through an appraisal process and is determined by performance against objectives linked to the objectives of the organisation.

### Senior staff salaries and bonuses

Composition of remuneration: Salary includes gross salary, reserved rights to London weighting or London allowances; recruitment allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Bonuses are non-consolidated,

non-pensionable performance related payments. They are used to recognise and reward performance against in-year objectives.

The monetary value of benefits in kind covers any benefit provided by the Commission and treated by HM Revenue & Customs (HMRC) as a taxable emolument. This wholly relates to business mileage paid in excess of HMRC rates.

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

The Ombudsman and his 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 <sup>1</sup>	CETV <sup>1</sup>	Real increase in CETV
	at 31/3/17	2016-17	at 31/3/17	at 31/3/16	2016-17
	£000	£000	£000	£000	£000
Jane Martin <sup>2</sup>	45-50	(17.5)-(15.0)	868	1,012	n/a
	Lump sum 95-100	95.0-97.5			
Michael King	45-50	5.0-7.5	697	576	104
	Lump sum 85-90	5.0-7.5			
Nigel Ellis	10-15	2.5-5.0	143	103	28
	Lump sum -	-			
Paul Conroy	15-20	0-2.5	227	226 <sup>3</sup>	1
	Lump sum 20-25	0-2.5			

1. 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. CETV values at 31 March 2016 have been restated following a recalculation by pensions administrators.
2. Jane Martin retired on 10 January 2017.
3. Paul Conroy's CETV is as at the appointment date, 19 March 2017

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

	2017 £000	2017 £000	2017 £000	2016 £000
	Permanently employed staff	Others	Total	Total
Wages & salaries	6,483	-	6,483	6,471
Social security	712	-	712	551
Other pension costs*	908	12	920	2,904
	8,103	12	8,115	9,926
Temporary staff	-	68	68	239
Redundancy costs	-	-	-	7
	8,103	80	8,183	10,172
Indirect staffing costs**	129	-	129	98
<b>Total</b>	<b>8,232</b>	<b>80</b>	<b>8,312</b>	<b>10,270</b>

\*This includes £12,002 (2015-16: £11,995) relating to pension payments to a retired Local Government Ombudsman and a surviving widow. In addition, in 2015-16, it includes a one-off payment of £1,520,000 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 2017, the Commission employed 158 FTE (excluding one part time agency worker) of whom 103 were female and 55 were male.

	2017	2016
Average number of full time equivalent staff employed:		
Permanently employed	163	159
Other*	1	5
	<b>164</b>	<b>164</b>

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

Staff numbers exclude the Ombudsman as he is not a member of staff, but his remuneration is shown in the 'Remuneration of senior staff' table on page 58.

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

	2016-17	2016-17	2016-17	2015-16	2015-16	2015-16
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
Total number of exit packages	-	-	-	-	2	2
<b>Total cost (£000)</b>	-	-	-	-	<b>11</b>	<b>11</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 £14,843

## Sickness absence data

During the year 1,348 working days were lost through sickness absence: 541 of which were due to long term sickness absence. This equates to 3.2% of working time lost (2015-16: 2.9%).

This compares to a national average of 3.3% (as reported in the Chartered Institute of Personnel and Development absence management report published in October 2016).

There were no reportable trends in the period.

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

	2016-17	2015-16
Band of the highest paid individual total (£'000)	135-140	135-140
Median Total Remuneration (£'000)	41	41
Ratio	1:3.3	1:3.4

In 2016-17, no employees (2015-16: nil) received remuneration in excess of the highest-paid Commission member. Remuneration ranged from £19,179 to £140,000 (2015-16: £18,989 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 2016-17 was £135,000-£140,000 (2015-16: £135,000-£140,000). This was 3.3 times (2015-16: 3.4) the median remuneration of the workforce, which was £41,239 (2015-16: £40,830).

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

The remuneration of the Advisory Members is as follows:

	Status	2016-17 Total Remuneration	2015-16 Total remuneration
Carol Brady	Advisory Member	£4,663 (including £788 expenses)	£2,454 (including £454 expenses)
David Liggins	Advisory Member	£6,051 (including £1,049 expenses)	£5,432 (including £1,427 expenses)
Sir Jon Shortridge	Advisory Member	£5,429 (including £429 expenses)	£5,600 (including £600 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.

## Losses and special payments (audited by the Comptroller and Auditor General)

During the year no losses or special payments were made (2015-16: £nil).

## Contingent liabilities (audited by the Comptroller and Auditor General)

The Commission does not have any contingent liabilities.

**Nigel Ellis**  
**Accounting Officer & Chief Executive**

**26 June 2017**

# Parliamentary Accountability & Audit Report

## 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 2017. 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 Report 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 2017 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 Accountability Report 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 Accountability Report to be audited are not in agreement with the accounting records and returns; or
- > I have not received all of the information and explanations I require for my audit; or
- > the Governance Statement does not reflect compliance with HM Treasury's guidance.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

**28 June 2017**

# Statement of Comprehensive Net Expenditure

	Note	2017 £000	2016 £000
<b>Operating income</b>		<b>(79)</b>	<b>(57)</b>
<b>Operating expenditure</b>			
Staff costs	3.1	8,312	10,270
Pension loss/(gain)	3.2	1,007	(697)
Accommodation costs	4.1	833	933
Office expenses	4.2	362	562
Professional costs	4.3	345	344
Depreciation & amortisation	6 & 7	172	204
Meeting & travel costs		148	147
<b>Total operating expenditure</b>		<b>11,179</b>	<b>11,763</b>
<b>Net operating expenditure</b>		<b>11,100</b>	<b>11,706</b>
Net interest costs	5	893	916
<b>Net expenditure for the year</b>		<b>11,993</b>	<b>12,622</b>
<b>Other comprehensive expenditure</b>			
<b>Items which will not be reclassified to net operating costs</b>			
Pension fund actuarial loss/(gain)	12g	5,580	(4,220)
<b>Total comprehensive expenditure</b>		<b>17,573</b>	<b>8,402</b>

The notes on pages 71 to 92 form part of these accounts.

All activities are continuing.

# Statement of Financial Position

	Note	2017 £000	2016 £000
<b>Assets</b>			
<b>Non current assets</b>			
Plant & equipment	6	63	141
Intangible assets	7	96	146
<b>Total non current assets</b>		<b>159</b>	<b>287</b>
<b>Current assets</b>			
Trade & other receivables	8	191	169
Cash & cash equivalents	9	2,996	2,914
<b>Total current assets</b>		<b>3,187</b>	<b>3,083</b>
<b>Total assets</b>		<b>3,346</b>	<b>3,370</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade & other payables	10	(939)	(1,024)
Provisions	11	(72)	-
<b>Total current liabilities</b>		<b>(1,011)</b>	<b>(1,024)</b>
<b>Total assets less total current liabilities</b>		<b>2,335</b>	<b>2,346</b>
<b>Non current liabilities</b>			
Pension scheme liability	12e	(32,405)	(24,913)
<b>Total non current liabilities</b>		<b>(32,405)</b>	<b>(24,913)</b>
<b>Assets less liabilities</b>		<b>(30,070)</b>	<b>(22,567)</b>
<b>Taxpayers' equity</b>			
General Fund		2,335	2,346
Pension Reserve		(32,405)	(24,913)
<b>Total Taxpayers' Equity</b>		<b>(30,070)</b>	<b>(22,567)</b>

The notes on pages 71 to 92 form part of these accounts.

**Nigel Ellis**  
Accounting Officer  
26 June 2017

**Michael King**  
Chair  
26 June 2017

# Statement of Cash Flows

	Note	2017 £000	2016 £000
<b>Cash flows from operating activities</b>			
<b>Net expenditure for the year</b>		(11,993)	(12,622)
Adjustments for:			
Depreciation & amortisation	6 & 7	172	204
Loss on sale of non current assets	4.2	-	5
Finance costs/(income)	5	(12)	(17)
(Increase)/decrease in trade & other receivables	8	(22)	191
Increase/(decrease) in trade & other payables	10	(85)	(224)
Increase/(decrease) in provisions	11	72	(222)
Non-cash pension charge/(credit) included in net expenditure for the year		1,912	236
<b>Net cash outflow from operating activities</b>		<b>(9,956)</b>	<b>(12,449)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant & equipment	6	-	(72)
Purchase of intangible non current assets	7	(44)	-
Proceeds on sale of non current assets		-	1
Interest received	5	12	17
<b>Net cash outflow from investing activities</b>		<b>(32)</b>	<b>(54)</b>
<b>Cash flows from financing activities</b>			
Receipts of Grant-in-Aid financing	2	10,070	12,684
<b>Net cash inflow from financing activities</b>		<b>10,070</b>	<b>12,684</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>82</b>	<b>181</b>
<b>Cash &amp; cash equivalents at beginning of period</b>		<b>2,914</b>	<b>2,733</b>
<b>Cash &amp; cash equivalents at end of period</b>	9	<b>2,996</b>	<b>2,914</b>

The notes on pages 71 to 92 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 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>
Grant-in-aid financing	2	10,070	-	10,070
Total comprehensive expenditure for the year		(11,993)	(5,580)	(17,573)
Transfers between reserves in respect of pension fund costs		1,912	(1,912)	-
<b>Balance at 31 March 2017</b>		<b>2,335</b>	<b>(32,405)</b>	<b>(30,070)</b>

The notes on pages 71 to 92 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 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 draw down on cash reserves, 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. Details of the pension liability are available in Note 12e on page 86 and also in the Directors' Report on page 38.

# 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 2016-17 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, discount rate 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. 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 2017 shows net liabilities of £30m. 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 5 December 2016 a Draft Public Service Ombudsman

Bill was published setting out proposed details to integrate the existing jurisdictions of the Local Government Ombudsman and the Parliamentary and Health Service Ombudsman.

It is not anticipated that the Bill would be considered by Parliament until the Autumn of 2017 at the earliest. If, following parliamentary process, legislation were to be introduced and receive Royal Assent, the Commission estimates the operational integration of 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 Pensions Scheme, administered by the Local Pensions Partnership (LPP). 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, discount rate 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 the International Accounting Standards Board (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 International Financial Reporting Standards (IFRS)

IAS 8 requires disclosures in respect of new IFRS, amendments and interpretations that are, or will be applicable after the reporting period. IASB has issued IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers', both of which are effective from 2018-19 but are expected to have no impact on the Commission.

IASB has also issued IFRS 16 'Leases' which is effective from 2019-20. The standard largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The most significant effect of the new requirements will therefore be an increase in lease assets and liabilities on the statement of financial position. However, as IFRS 16 is yet to be endorsed by the EU and its application in the public sector context is yet to be confirmed by the FReM, early adoption is not permitted.

### 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

The Commission provides for obligations arising from past events where there is a present obligation at the date of the Statement of Financial Position, if it is probable that we will be required to settle the obligation and a reliable estimate can be made, in line with the requirements of IAS 37.

## 2 Grant-in-Aid

The Commission received funding of £10,070,000 from the Department for Communities and Local Government (DCLG) in 2016-17. In 2015-16 in addition to the core funding, Grant-in-Aid was received for office relocation (£572,000) and a one-off payment towards the pension deficit (£1,520,000). In 2015-16 funding was also 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.

	2017	2016
	£000	£000
DCLG	10,070	12,601
DfE	-	83
<b>Total</b>	<b>10,070</b>	<b>12,684</b>

Represented by:	2017	2016
	£000	£000
Revenue	10,023	12,529
Capital	47	155
<b>Total</b>	<b>10,070</b>	<b>12,684</b>

## 3.1 Staff costs

	2017	2016
	£000	£000
	Total	Total
Wages & salaries	6,483	6,471
Social security	712	551
Other pension costs*	920	2,904
	8,115	9,926
Temporary staff	68	239
Redundancy costs	-	7
	8,183	10,172
Indirect staffing costs**	129	98
<b>Total</b>	<b>8,312</b>	<b>10,270</b>

Analysis of Commissioners'/Senior Management's salaries can be found on page 58 in the Remuneration and Staff Report.

\*This includes £12,002 (2015-16: £11,995) relating to pension payments to a retired Local Government Ombudsman and a surviving widow. In addition in 2015-16, it included a one-off payment of £1,520,000 towards the CLAE share of the deficit of the Local Government Pension Scheme. In 2015-16 Employer Pension Contributions were comprised of a variable element equal to 14.6% of pensionable salary and also a fixed element of £486,970. Following the one-off payment in 2015-16, the actuary agreed that no fixed element was required in 2016-17. The variable element was unchanged at 14.6% in 2016-17.

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

### 3.2 Pension loss/(gain)

	2017	2016
	£000	£000
Current service costs	1,839	2,119
Past service costs, including curtailments	-	6
Administration expenses	79	90
Contributions by the employer*	(911)	(2,912)
<b>Total</b>	<b>1,007</b>	<b>(697)</b>

\* The cost of the contributions by the employer are included in other pension costs in note 3.1 and in 2015-16 included a one-off payment of £1,520,000 towards the CLAE share of the pension deficit. Following receipt of this payment, the actuary agreed that CLAE was not required to pay a fixed sum towards the deficit in 2016-17 (2015-16 fixed sum £486,970) - see note 12 for more details.

### 3.3 Reporting of compensation schemes - exit packages

The reporting of compensation schemes - exit packages can be found on page 61 in the Remuneration and Staff Report.

### 3.4 Staff numbers

Information about staff numbers can be found on page 61 in the Remuneration and Staff Report.

## 4 Operating expenditure

4.1 Accommodation costs		
	2017	2016
	£000	£000
Rent & rates	754	875
Other expenses	1	51
Utilities	(9)	16
Repairs & maintenance	1	-
Write back of dilapidations provision	-	(16)
Provision for repairs	72	-
Health & safety	14	7
	<b>833</b>	<b>933</b>

Rent and rates in 2015-16 included costs incurred under a commercial operating lease at an office in Coventry (vacated in July 2015). Rent costs in 2016-17 include 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.

Flood damage occurred at the York office and a provision of £72,000 has been provided for the estimated share of the landlord's repair costs.

4.2 Office expenses		
	2017	2016
	£000	£000
Computers & telephone	286	456
Insurance & other office expenses	41	51
Loss on sale of non current assets	-	5
Furniture & equipment rental	15	22
Postage & stationery	20	28
	<b>362</b>	<b>562</b>

**4.3 Professional costs**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Legal & litigation	182	141
External audit	30	28
Internal audit	21	18
Commission fees	14	11
Professional fees & subscriptions	57	64
Publicity & research	41	82
	<b>345</b>	<b>344</b>

No remuneration was paid to the external auditors for non audit work in 2016-17 (2015-16: 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 external legal & litigation costs in 2016-17 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**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Buildings	754	857
Other	5	4
	<b>759</b>	<b>861</b>

**5 Net interest costs**

		<b>2017</b>	<b>2016</b>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
Interest on pension fund assets	12i	2,238	2,064
Interest on pension fund liabilities	12h	(3,143)	(2,997)
Bank deposit interest		12	17
		<b>(893)</b>	<b>(916)</b>

## 6 Plant and Equipment

	Plant & machinery	Furniture & fittings	Information technology	Total
	£000	£000	£000	£000
<b>Cost</b>	-			
At 01 April 2016	-	63	324	387
Additions	-	-	-	-
Disposals	-	-	(64)	(64)
<b>At 31 March 2017</b>	-	<b>63</b>	<b>260</b>	<b>323</b>

<b>Depreciation</b>				
At 01 April 2016	-	23	223	246
Provided during the year	-	32	46	78
Disposals	-	-	(64)	(64)
<b>At 31 March 2017</b>	-	<b>55</b>	<b>205</b>	<b>260</b>

<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>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>23</b>	<b>223</b>	<b>246</b>

<b>Net Book Value</b>				
<b>At 31 March 2016</b>	-	<b>40</b>	<b>101</b>	<b>141</b>
<b>At 31 March 2017</b>	-	<b>8</b>	<b>55</b>	<b>63</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 2016	1,093
Additions*	44
Disposals	-
<b>Cost at 31 March 2017</b>	<b>1,137</b>

<b>Amortisation</b>	
At 01 April 2016	947
Provided during the year	94
Disposals	-
<b>Cost at 31 March 2017</b>	<b>1,041</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>Net Book Value</b>	
<b>At 31 March 2016</b>	<b>146</b>
<b>At 31 March 2017</b>	<b>96</b>

\* Additions of £44,000 in 2016-17 are assets under construction which are not yet in use nor amortised.

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>2017 £000</b>	<b>2016 £000</b>
Trade receivables	6	37
Deposits & advances**	30	39
VAT receivable	58	38
Prepayments	97	55
	<b>191</b>	<b>169</b>

\*\* Deposits and advances includes staff loans for rail travel - £12,485 (2015-16: £22,862) and travel advances - £15,600 (2015-16: £16,300).

**9 Cash and cash equivalents**

	2017	2016
	£000	£000
Cash at bank and in hand	2,996	2,914

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 70).

The Commission requires approval from DCLG to utilise this fund.

**10 Trade and other payables**

Current Trade and other payables		
	2017	2016
	£000	£000
Trade payables	29	54
Other payables	310	348
Accruals & deferred income	600	622
	<b>939</b>	<b>1,024</b>

**11 Provisions**

	2017	2016
	£000	£000
Balance at 01 April	-	222
Utilised	-	(206)
Provided in year	72	-
Written back	-	(16)
<b>Balance at 31 March</b>	<b>72</b>	<b>-</b>

	2017	2016
	£000	£000
Balance at 31 March 2017		
Current	72	-
Non current	-	-
	<b>72</b>	<b>-</b>

The Commission has no potential dilapidation liabilities associated with its estates portfolio at 31 March 2017. The Commission previously occupied commercial properties for the offices in York and Coventry and dilapidation liabilities were settled in 2015-16. The Commission now occupies three properties which are part of the Government estate under MOTOs where there is no liability for dilapidations.

Flood damage occurred at the York office and a provision of £72,000 has been created for the Commission's estimated share of the landlord's repair cost.

## 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 Local Pensions Partnership (LPP). 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 (2015-16: 14.6%). In 2015-16 there were additional regular fixed monthly payments totalling £486,970 for the year. In 2016-17 no fixed sum was paid in accordance with an agreement with the scheme actuary following a one-off payment towards the deficit in 2015-16. The total paid was £916,481 during 2016-17 (2015-16: £1,387,538). In addition, in 2015-16, a one-off payment towards the deficit of £1,520,000 was paid. There were no payments in respect of curtailments and settlements arising from redundancies made in the year (2015-16: £4,031). The employer's and employee's contribution rate is fixed following actuarial assessments every three years. The assessment

which reviewed the position of the Fund at 31 March 2013, resulted in the employers' rate of 14.6% for 2016-17 plus a fixed sum of £508,884 although the actuary has confirmed the fixed sum was no longer compulsory due to one-off payments made in 2014-15 and 2015-16. The most recent triennial valuation of the Fund at 31 March 2016 resulted in a new three-year schedule of contributions commencing 1 April 2017. The Employer's rate has been determined as 13.76% for the next three financial years.

There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

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 Local Pensions Partnership (LPP); the relevant Commission officers take up opportunities provided by LPP 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 LPP'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 LPP. 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 2016-17 amounting to £12,002 (2015-16: £11,995).

12.5 Further commentary is available in the Directors' Report on page 38.

12.6 Disclosures as required by IAS 19 are below.

The tables and notes below were provided by the LPP 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 2016-17 for the scheme.

<b>a. Financial assumptions</b>		
<b>Year ended:</b>	<b>31 March 2017 % pa</b>	<b>31 March 2016 % pa</b>
Inflation/pension increase (RPI)	3.6	3.3
Inflation/pension increase (CPI)	2.7	2.4
Salary increase rate	4.2	4.2
Pension increases	2.7	2.4
Discount rate	2.7	3.7

<b>b. Demographic assumptions</b>		
<b>Life expectancy in years from age 65</b>	<b>2017</b>	<b>2016</b>
Retiring today - males	22.2	22.6
Retiring today - females	24.8	25.6
Retiring in 20 years - males	24.5	25.0
Retiring in 20 years - females	27.0	27.9

The actuary has adopted demographic assumptions which are consistent with those used for the funding valuation as at 31 March 2016. The post retirement mortality is based on Club Vita mortality analysis which has been projected using the CMI 2015 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 the proportion of the membership that had taken up the option under the new LGPS to pay 50% of contributions for 50% of benefits at the previous valuation date will remain the same.

The actuary is not required to disclose an expected return assumption for the year to 31 March 2018.

### c. Estimated asset allocation

Year ended	31 March 2017	31 March 2016
	%	%
Equities	59	46
Liability-Driven Investments/ Cashflow matching	-	10
Target return funds	21	21
Infrastructure	5	5
Commodities	-	1
Property	5	4
Cash	10	13
<b>Total</b>	<b>100</b>	<b>100</b>

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

	31 March 2017	31 March 2016
	£000	£000
Equities	43,305	28,267
Liability-Driven Investments/ Cashflow matching	-	6,169
Target return funds	15,443	12,944
Infrastructure	3,848	3,334
Commodities	-	272
Property	3,726	2,172
Cash	6,762	7,694
<b>Total</b>	<b>73,084</b>	<b>60,852</b>

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2017 is estimated to be 21%. 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 2017 £000	31 March 2016 £000
Fair value of employer assets	12d & 12i	73,084	60,852
Present value of funded obligation	12h	(105,489)	(85,765)
<b>Net (liability)</b>		<b>(32,405)</b>	<b>(24,913)</b>

In 2016-17 the deficit has increased from £24,913,000 to £32,405,000. The main factor in driving this movement is the change in the financial assumptions which increased the present value of scheme liabilities by £19,645,000 (see note 12g). This was partly offset by a better than forecast return on investments of more than £10 million (see note 12i).

The deficit is calculated using a range of assumptions chosen by management, with advice from the actuary, in accordance with International Accounting Standards (IAS 19). These assumptions are more conservative than those used to calculate the deficit on the basis used for the purposes of calculating future contribution rates. Based upon advice from the actuaries, the Executive Directors estimate that at 31 March 2017 on this basis the fund has a surplus of approximately £1.4m

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 2017 £000	31 March 2016 £000
Service cost*	1,839	2,125
Net interest on the defined liability (asset)	905	933
Administration expenses	79	90
<b>Total</b>	<b>2,823</b>	<b>3,148</b>

\* Service cost is the estimated additional Employer's pension liability arising in year as a result of scheme members accruing additional pension benefits through membership for the period.

## g. Remeasurements and other comprehensive income

Year ended	Note	31 March 2017 £000	31 March 2016 £000
Return on plan assets in excess of interest	12i	10,192	(2,536)
Other actuarial gains/(losses) on assets	12i	637	-
Changes in financial assumptions	12h	(19,645)	6,756
Changes in demographic assumptions	12h	891	-
Experience gain/(loss) on defined benefit obligation	12h	2,345	-
<b>Pension fund actuarial (loss)/gain</b>		<b>(5,580)</b>	<b>4,220</b>

Changes to the financial assumptions have increased the present value of scheme liabilities by £19,645,000 at 31 March 2017. The most significant change and principal reason for this increased liability is a change in the assumed discount rate from 3.7% (2015-16) to 2.7% (2016-17).

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

Year ended	31 March 2017 £000	31 March 2016 £000
<b>Opening defined benefit obligation</b>	<b>85,765</b>	<b>88,900</b>
Current service cost	1,839	2,119
Interest cost	3,143	2,997
Change in financial assumptions	19,645	(6,756)
Change in demographic assumptions	(891)	-
Experience loss/(gain) on defined benefit obligation	(2,345)	-
Estimated benefits paid	(2,159)	(2,005)
Past service costs, including curtailments	-	6
Contributions by members	492	504
<b>Closing defined benefit obligation</b>	<b>105,489</b>	<b>85,765</b>

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

Year ended	31 March 2017	31 March 2016
	£000	£000
<b>Opening fair value of employer assets</b>	<b>60,852</b>	<b>60,003</b>
Interest on assets	2,238	2,064
Return on assets less interest	10,192	(2,536)
Other actuarial gains/(losses)	637	-
Administration expenses	(79)	(90)
Contributions by the employer	911	2,912
Contributions by members	492	504
Estimated benefits paid	(2,159)	(2,005)
<b>Closing fair value of employer assets</b>	<b>73,084</b>	<b>60,852</b>

## j. Sensitivity analysis

	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation	103,676	105,489	107,336
Projected service cost	2,472	2,528	2,585
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	105,737	105,489	105,242
Projected service cost	2,528	2,528	2,528
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	107,085	105,489	103,921
Projected service cost	2,585	2,528	2,472
Adjustment to life expectancy assumption	+1 year	None	-1 year
Present value of defined benefit obligation	109,540	105,489	101,593
Projected service cost	2,609	2,528	2,450

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 2018****Projections for the year to 31 March 2018**

	<b>£000</b>
Service cost	2,528
Net interest on the defined liability	863
Administration expenses	95
<b>Total</b>	<b>3,486</b>
<b>Employer contributions</b>	<b>906</b>

The LPP 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 2017-18 are £906,000 (2016-17: £983,000).

### 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, £57,995 is due from HMRC (2016: £38,224). A further amount of £30,145 is due from current employees of the Commission and is to be collected through regular payroll deductions (2016: £39,162). 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.

	2017	2016
	£000	£000
Value of interest yielding deposits at 31 March	2,996	2,914
Income effect of a 1% increase in interest rates	30	29
Income effect of a 1% decrease in interest rates	(30)	(29)

#### Liquidity Risk

The Commission considers liquidity risk to be minimal due to it being Grant-in-Aid funded. It maintains its surplus funds in bank deposit accounts which provide for instant access. These deposits totalled £2,995,281 (2016: £2,913,780). 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 2017 £000	31 March 2016 £000
<b>Buildings - amounts payable:</b>		
Not later than one year	320	399
Later than one year and not later than five years	-	159
Later than five years	-	-
<b>Total</b>	<b>320</b>	<b>558</b>
<b>Other - amounts payable:</b>		
Not later than one year	3	4
Later than one year and not later than five years	2	5
Later than five years	-	-
<b>Total</b>	<b>5</b>	<b>9</b>

### 14.2 Description of significant lease arrangements

During 2016-17, the Commission occupied three premises within the Government estate, each under a Memorandum of Terms of Occupation (MOTO). The MOTO for the Coventry office has a break option in June 2017, while the York office has a break option in 2018.

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

## 15 Capital Commitments

The Commission was contractually committed to £4,875 of expenditure on non-current assets at 31 March 2017 (2015-16: 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 DCLG is regarded as a related party. 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.

The Commission's York office is located in premises where DEFRA acts as landlord. DEFRA is regarded as a related party.

The Commission's Coventry office is located in premises where DfE acts as landlord. DfE is regarded as a related party.

The Commission has continued to work with the Parliamentary and Health Service Ombudsman (PHSO) during the year handling joint complaints and also consulting in relation to the Government's intention to create a single public services ombudsman. Commission members Sir Jon Shortridge and Michael King are also Board members at PHSO and Rob Behrens, the newly appointed PHSO (and his predecessor Dame Julie Mellor) is an ex-officio member of the Commission. PHSO is regarded as a related party. There have been no financial transactions with PHSO in

2016-17

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**

There were no significant events after the reporting period date requiring disclosure.

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

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

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

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

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

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

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

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

4. This direction replaces all previously issued directions.

Signed by authority of the Secretary of State

David Kuenssberg

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

Date 3rd July 2014

## SCHEDULE 1

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

### ADDITIONAL DISCLOSURE REQUIREMENTS

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

- (a) an analysis of grants from:
  - (i) government departments
  - (ii) European Community funds
  - (iii) other sources identified as to each source;
- (b) an analysis the total amount of grant from the Department for Communities and Local Government, showing how the grant was used;
- (c) an analysis of grants included as expenditure in the income and expenditure account and a statement of the total value of grant commitments not yet included in the income and expenditure account;
- (d) details of employees, other than board members, showing:
  - (i) the average number of persons employed during the year, including part-time employees, agency or temporary staff and those on secondment or loan to the Commission, but excluding those on secondment or loan to other organisations, analysed between appropriate categories (one of which is those whose costs of employment have been capitalised)
  - (ii) the total value of loans to employees
  - (iii) employee costs during the year showing separately:
    - (1) wages and salaries
    - (2) early retirement costs
    - (3) social security costs
    - (4) contributions to pension schemes
    - (5) payments for unfunded pensions

(6) other pension costs

(7) amounts recoverable for employees on secondment or loan to other organisations

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

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

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

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

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

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

- (i) transactions and balances of £5,000 and below are not material
- (ii) parties related to board members and key managers are as notified to the Commission by each individual board members or key manager
- (iii) the following are related parties:
  - (1) subsidiary and associate companies of the Commission;
  - (2) pensions funds for the benefit of employees of the Commission or its subsidiary companies (although there is no requirement to disclose details of contributions to such funds);
  - (3) board members and key managers of the Commission;
  - (4) members of the close family of board members and key managers;
  - (5) companies in which a board member or key manager is a director;

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

For the purposes of this sub-paragraph:

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

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

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