

Local Government &
Social Care
OMBUDSMAN

Commission for Local
Administration in England



***Annual report and
accounts
2017-2018***

Commission for Local Administration in England

Local Government Ombudsman

Annual Report & Accounts 2017-18

(for the year ended 31 March 2018)

Accounts presented to the House of Commons pursuant to Section 7 of the Government Resources and Accounts Act 2000

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

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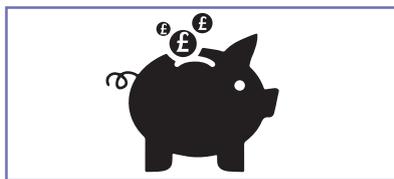
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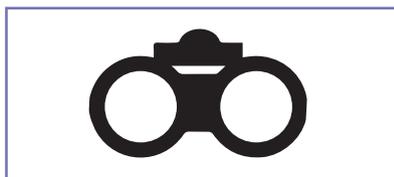
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I am pleased to present the Annual Report and Accounts for the Commission for Local Administration in England (also known as the Local Government and Social Care Ombudsman) for the year ended 31 March 2018.

My foreword to last year's report talked about how the Ombudsman can make a real difference to people's lives, and how I wanted to build on that. At that time, I wanted to do more to help councils and care providers learn from our investigations, and to encourage further public scrutiny of complaints.

A year on, and we have achieved just that. In 2017-18 we increased the amount of work we did to drive awareness of the findings from our casework. In particular, we published four Focus Reports on issues where we were seeing systemic or emerging problems.

For example, we highlighted the Dickensian-like conditions some families are faced with, when placed in unsuitable temporary accommodation by councils. Our casework showed the problems have been spreading out from London and the South East, and homelessness now appears to be affecting people in professions who never would have expected to find themselves in that situation. Our findings helped to inform the public policy debate on the causes of homelessness, when I shared our evidence with the Public Accounts Committee.

This year was also very much about building

for the future. I recently welcomed two new advisory members to our board: Deep Sagar and Professor Stephen Perkins. They bring a wealth of experience and will contribute to the effective challenge and scrutiny of our work for the next four years. I would like to add my thanks to the members they replaced, Sir Jon Shortridge and David Liggins, for all their support.

We have produced a new corporate strategy. It sets out how we will, over the next three years, continue to develop as an excellent, innovative, twenty-first century ombudsman scheme. We will do this while not ever losing sight of our core casework principles or compromising independence and fairness.

The strategy shows how we will invest in our two main assets – our staff and our technology – by developing our learning culture and modernising our service. Underpinning the strategy are a set of digital principles, which will help to ensure our service is accessible, secure and easy-to-use for future generations.

The strategy explains how we will try to move the conversation about our work away from simplistic complaint volumes, to the lessons that can be learned and the wider good we can achieve through our recommendations to improve services for the many. We will build on the groundwork laid this year to more comprehensively publish information on the outcomes from our recommendations.

If the resources were to become available, we have additional projects in mind outside the scope of this strategy, to raise further awareness and investigate more injustices.

Our staff have worked hard in 2017-18 to deliver the best service we can for the public. We have again maintained customer satisfaction levels, managed our budget well, and our casework

impact work has grown. We have also made 730 recommendations to make service improvements, which is helping to improve the lives of many people who hadn't directly complained to us.

However, although we have succeeded in maintaining the overall timeliness of our investigations, the number of cases awaiting allocation to an investigator has risen during the year. That means that some people have had to wait longer than I would like to have their case examined. I am sorry for any frustration that has caused.

The efficiencies we've made in recent years mean that our limited resources do not give us the flexibility and resilience to absorb fluctuations in levels of incoming casework or staffing levels. The Executive Team continues to monitor this closely, and our casework staff are to be commended for continuing to deliver high quality work in a challenging environment.

I have been particularly struck by the excellent quality of the public reports that came across my desk, as we published around 40% more than the previous year. These are one of the most powerful tools in our armoury to remedy injustice and hold bodies to account.

By and large, I welcome the positive attitude of councils and care providers in working constructively with us to remedy injustices and take on board the learning from our cases. In one great example, a county council has seized the opportunity to entirely redesign how its occupational therapists work with all of its districts, to improve partnership working and increase transparency for the public. This originated from a single complaint about a Disabled Facilities Grant. This is the sort of culture we all benefit from – one that takes the learning from complaints and uses it to improve services.

That said, there are some indications that occasionally councils are allowing financial factors to influence how they remedy injustice. This year we were challenged in court over a recommendation to repay a woman's care fees. While the case was thrown out as 'totally without merit', it is the first time a council has challenged us on the basis that our findings should take into account the financial pressures they are under. I want to reiterate that we will continue to hold public bodies and care providers to account against the law, relevant guidance, and their own policies.

Lastly, I want to thank everyone working at the Local Government and Social Care Ombudsman (LGSCO). Our staff are our biggest asset and everyone has helped to deliver an excellent year in 2017-18.



Michael King

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

**Local Government and Social
Care Ombudsman**

Who we are, what we do

The Local Government and Social Care Ombudsman helps to make sure local public and adult social care services are accountable. 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 also provide 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 on a complaint - we are neither a consumer champion nor a representative for service providers.

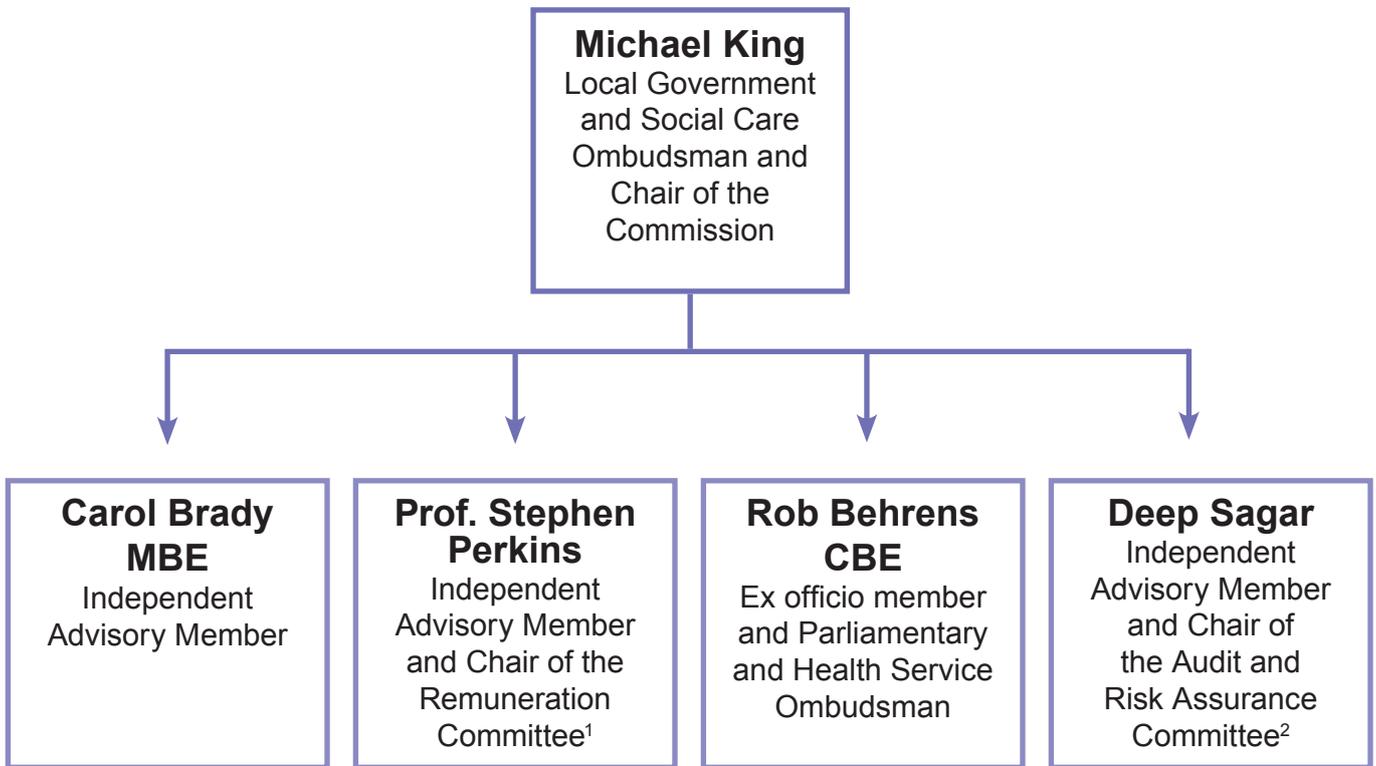
Public services and social care providers should be able to resolve complaints directly without requiring users to escalate their complaint to us. For this reason, we usually expect the complaint to be raised with the body concerned before we will look at it. However, the public can feel reassured there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

As a result of resolving complaints and providing a remedy for individual injustice, we gather significant evidence of wider failings in 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 and adult social services by helping local government and care providers

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

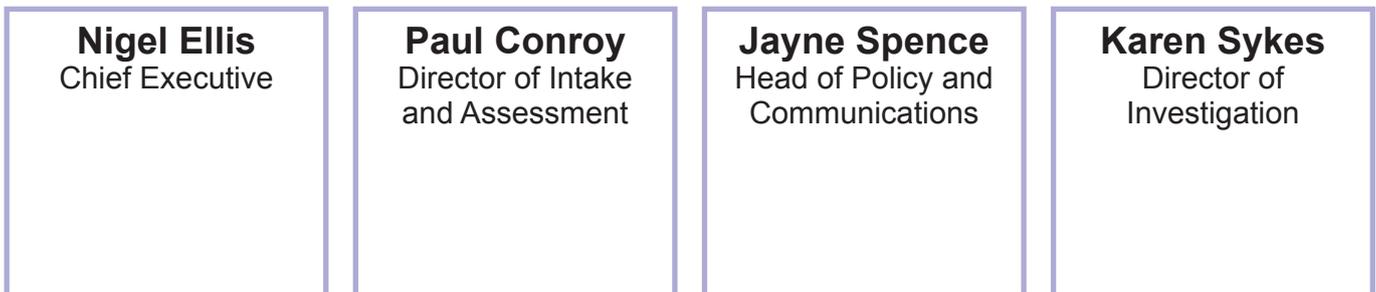
The Executive Team is responsible for the day-to-day management of our operations. The work of the Executive Team is overseen by the Commission for Local Administration in England (“the Commission”), which is chaired by the Local Government and Social Care Ombudsman, Michael King. The Commission operates as the board of the LGSCO. It sets the strategic priorities for the organisation and provides scrutiny and challenge on our performance against those priorities

Membership of the Commission



1. Professor Stephen Perkins joined the Commission as independent advisory member in January 2018, replacing David Liggins as Chair of the Remuneration committee when his term of office came to an end.
2. Deep Sagar joined the Commission as independent advisory member in January 2018 and replaced Sir Jon Shortridge as chair of the Audit and Risk Assurance Committee when his term of office came to an end.

The Executive Team



Who we are, what we do

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

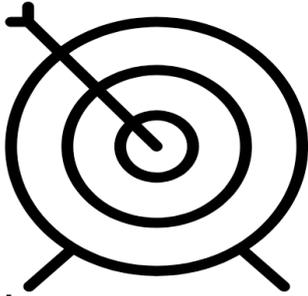
To remedy injustice - through our independent and impartial investigations we are able to secure a remedy for people that have experienced injustice as a result of the actions or inactions of a local service.

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.



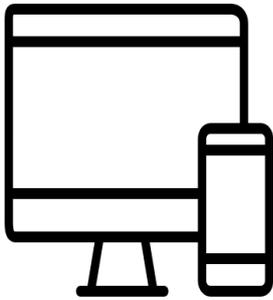
Key facts 2017-18



All time targets met to complete investigations

40%

increase in number of public interest reports published



IT systems and infrastructure upgraded

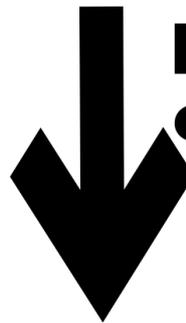
730

recommendations made to improve services for everybody



100%

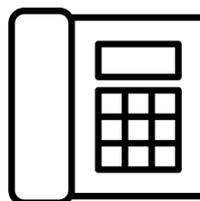
OF COUNCILS thought our investigations had an impact on service improvement



Number of complaints about our service is down



57% of detailed investigations upheld



97%

of helpline calls answered within 60 seconds

Chief Executive's performance report

Performance Overview

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 our time targets for the speed of our investigations: 79% of investigations were completed within 13 weeks (against a target of 65%); 91% of investigations were completed within 26 weeks (against a target of 85%); and 99% of investigations completed within 52 weeks (against a target of 99%).

Results of our customer satisfaction survey remained in line with previous years against our two targets for satisfaction with our service, whether the person was happy with the outcome of their complaint or not. 97% of customers neutral or satisfied with their outcome, were neutral or satisfied with our service. 18% of customers unhappy with their outcome were neutral or satisfied with our service.

We also did work to bring in changes to our survey methodology to enable us to benchmark against other ombudsmen in the future.

We received fewer complaints about our service this year, and of those investigated, we found in fewer cases we should have provided a better service than we did.

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

We continued our approach of recent years by choosing decision statements to review based on particular areas, rather than taking a random sample. Despite focusing on the areas

of most need, we saw the majority – up to 85% – of sampled decision statements met all our required written standards. This is in line with results in previous years.

The number of people that requested a review of their decision decreased this year, and in only 8% of cases did we agree the decision was not of the standard expected.

We continued to develop our casework processes to allow us to report more accurately and in detail about the remedies we recommend, and councils' and care providers' compliance with them. With the existing process, we found 98% of the recommendations were implemented on schedule. There was only one case – about a care provider – which culminated in a formal statement of non-compliance with our recommendations.

Strategic Objective 3: learning from complaints to improve public services

We published four Focus Reports on important issues, such as special educational needs and homelessness. These reports gather case studies from our complaints on thematic issues – often systemic or emerging problems where people are suffering – and offer good practice advice on how to avoid the sorts of problems affecting more people. We published 40% more public interest reports than in the previous year – 42 in total. We also issued guidance to care providers on dealing with Funded Nursing Care payments in their contracts.

The work we do to share our casework with Parliament, government departments and other stakeholders saw the Ombudsman appear at two select committee enquiries to highlight issues we see in our investigations.

We contributed evidence from our casework to public consultations which resulted in new policies and processes. We also introduced a new email newsletter service to share our complaint decisions more widely.

Our annual survey of bodies in jurisdiction saw both councils and care providers score us highly for the impartiality, fairness and rigorousness of our investigations; similarly, they scored our recommendations high in terms of clearness, consistency and proportionality. A resounding 100% of councils that responded thought our investigations this year had some impact on helping to improve local public services.

We continued to manage a popular programme of effective complaint handling training for local authorities and care providers, and developed a new 'open course' format to help increase the accessibility of the training, which is delivered on a not-for-profit basis. We also set up a network of council link officers to promote and share best practice in complaint handling, and hosted a series of seminars for that group.

Strategic Objective 4: using public money efficiently and effectively

Effective financial management and sound governance systems meant we continued to offer good value for public money. Our budget had previously been reduced by 43% in real terms. Further efficiencies allowed us to return more than £200,000 of our budget to our sponsor department, the Ministry of Housing, Communities and Local Government, within the year.

We welcomed two new advisory members to our board to replace the outgoing members, bringing a wealth of experience to the process of effective overview and scrutiny of our work. We completed a new Corporate Strategy, which

sets our objectives for the next three years.

We carried out significant upgrades and improvements to our IT infrastructure and systems, which has improved the security and resilience of our network in supporting the business to do its work.

Managing Risk

The Commission oversees risk management, as advised by our Executive Team and scrutinised by the Audit and Risk Assurance Committee. We operate a Red/ Amber/ Green (High/ Medium/ Low) system for marking risk on our strategic risk register.

At the close of 2017-18, five of the seven strategic risks were set as green. The risk 'we do not offer an excellent service that is easy to find and use', was marked as red because the number of unallocated cases was higher than we would have liked. The risk 'we fail to stay relevant and do not manage change well', was marked as amber due to our engagement with combined authorities being more challenging than expected. This work is to promote good complaint processes in the new authorities being created to manage services devolved from central government. Within the year we added a new risk to the register around our IT and computer systems. We did this to recognise the growing importance of guarding against cyber-attacks, and ensuring our IT systems effectively support the core work of resolving complaints. This risk was marked as green.

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

How we measure our performance

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

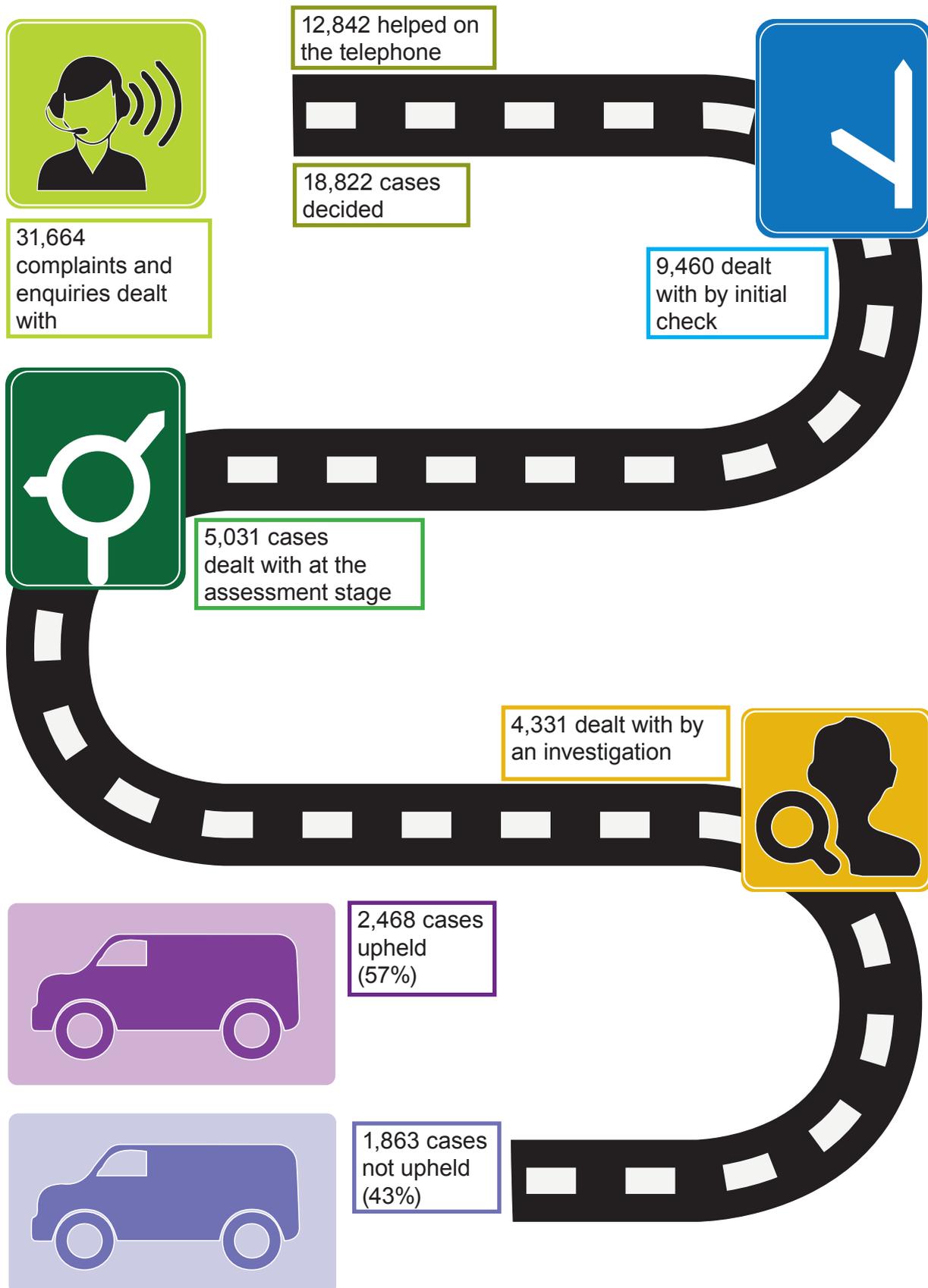
Indicator	Data Sources
Time taken to complete an investigation	Case management system reports
Customer feedback on overall satisfaction with our service	Customer satisfaction research
Outcome of complaints about our service	Core management information Feedback from external reviewer

Casework Key Trends

In 2017-18 we registered a similar amount of complaints and enquiries (19,215) as we did in the previous year (19,077). The amount of decisions we made (18,822) was also comparable with 2016-17 (18,828).

The uphold rate of cases we investigated was 57%, which is an increase on the rate for 2016-17 (53%).

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

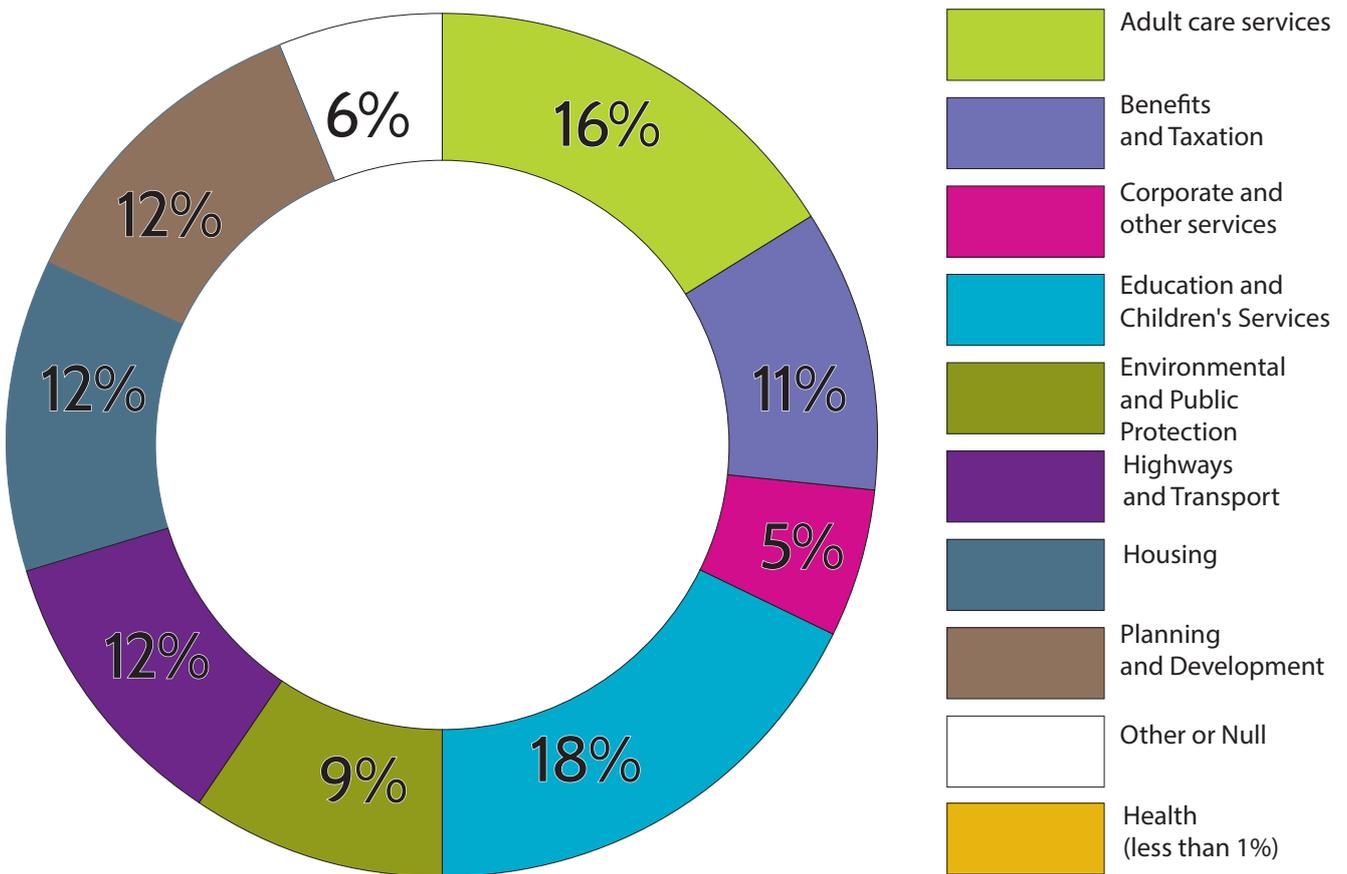


Strategic Objective 1: an excellent service that is easy to find and use

Casework Key Subjects

In 2017-18 Education and Children's Services, and Adult Social Care remained the two areas in which we investigated the highest number of complaints. The area of work where we upheld the highest proportion of detailed investigations is Benefits and Tax (70%), followed by Education and Children's Services (65%) and Adult Social Care (62%). We upheld the lowest proportion of detailed investigations in Planning and Development (41%).

Breakdown of complaints received by category 2017-18



Please note these figures add up to 101% due to rounding

Strategic Objective 1:

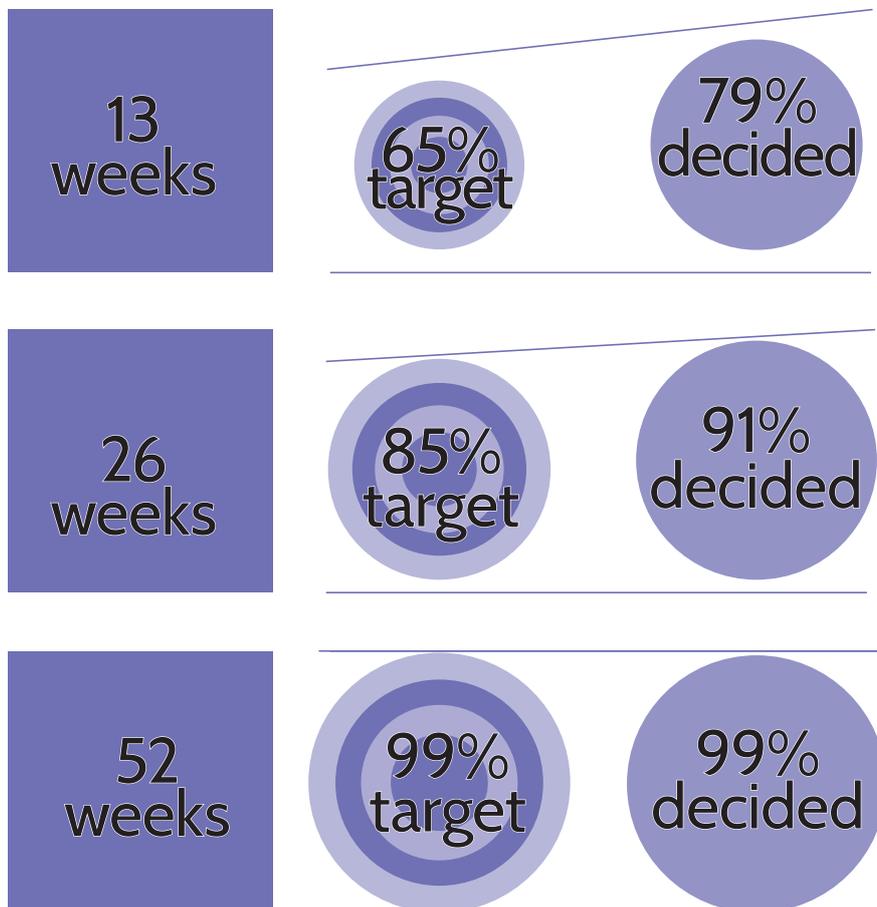
an excellent service that is easy to find and use

Speed of Investigations

This year we met or exceeded all of our targets for the time investigations take. Over the year we decided:

- > 79% of cases in 13 weeks (against a target of 65%)
- > 91% of cases in 26 weeks (against a target of 85%)
- > 99% cases in 52 weeks (against a target of 99%)

However, despite good performance against targets, the number of unallocated cases increased during the year. Unallocated cases refer to the number of cases waiting to be allocated to an investigator, at both the assessment and investigation stage, at any given period. We set ourselves an aspirational, and intentionally challenging target of making assessment decisions in 20 working days. A higher number of unallocated cases puts pressure on our ability to do this. Therefore the percentage of cases in which we made an assessment decision within 20 working days decreased from 50% in the first quarter to 33% in the final quarter. Our Intake Team answered 97% of calls within 60 seconds and processed 99% of cases within 24 hours.



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

Customer Satisfaction

Our customer satisfaction survey is an important way for us to understand the views of those who use our service and learn from their feedback. This helps us to know what works well and where we might improve.

Research shows that within the ombudsman sector, customer satisfaction is closely linked to the outcome of the complaint. Those who are pleased with the outcome of their complaint are significantly more likely to be happy with the level of service, and vice versa. Therefore, we set two targets for satisfaction levels: for those customers satisfied with the outcome of their complaint, and those not.

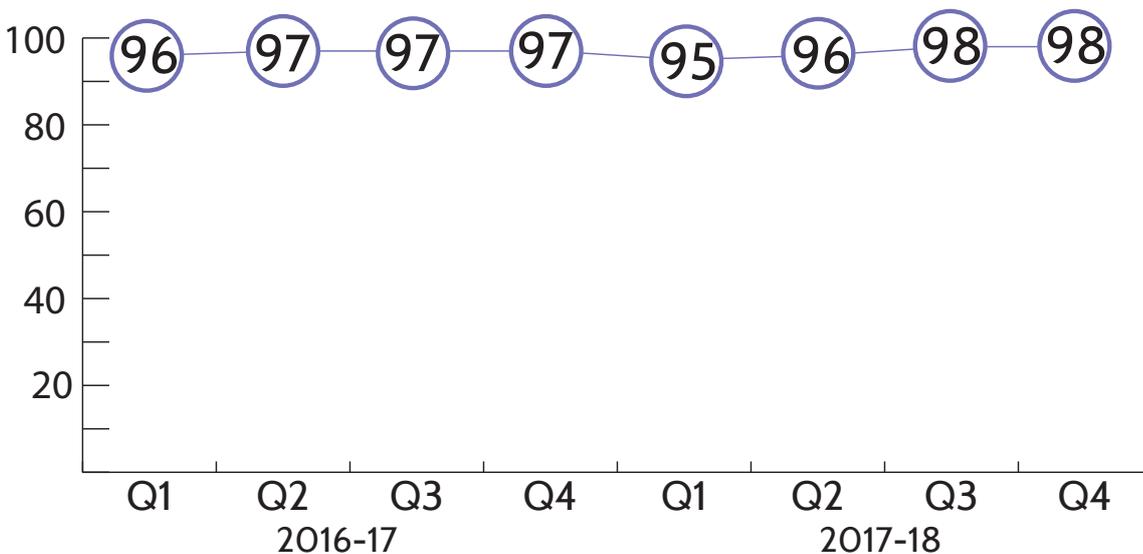
Across the year, customer satisfaction levels stayed mainly in line with results from previous years. On average 97% of customers who were neutral or satisfied with their outcome were

neutral or satisfied with our service (against a target of 95%). On average 18% of customers that were unhappy with their outcome were neutral or satisfied with our service (against a target of 20%).

This year we developed a new methodology for our customer satisfaction survey, which will allow us in future to benchmark our results with other ombudsman schemes and the Ombudsman Association's framework.

We received 165 complaints about our service in 2017-18, which was fewer than in the previous year (183). In 45 of those cases, we acknowledged we could have done something better and apologised for the error. Lessons from these are fed back into our quality monitoring process.

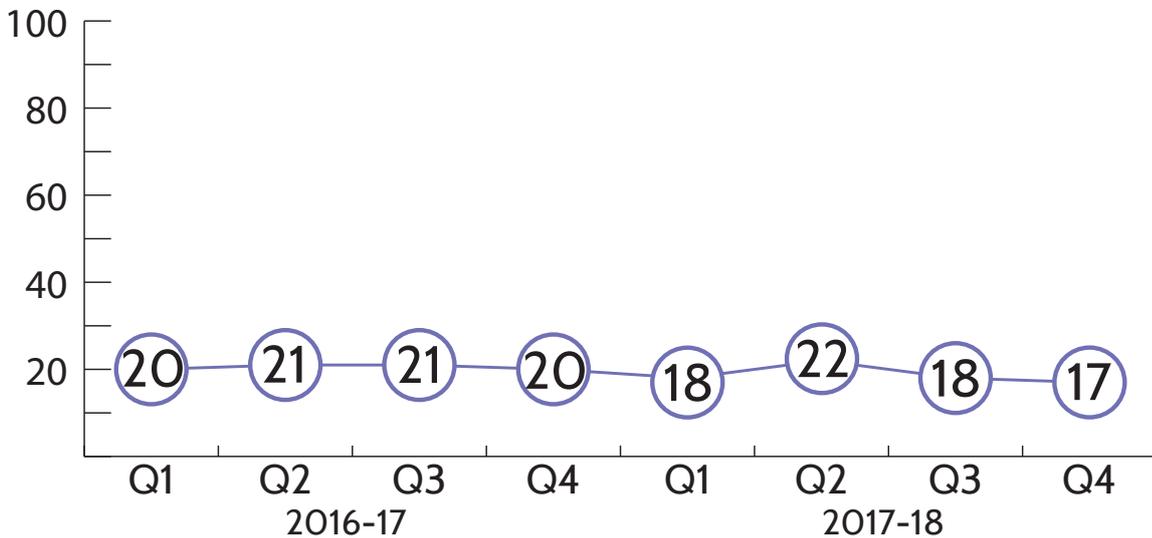
Percentage of customers neutral or satisfied with outcome and neutral or satisfied with service against a target of 95%



Strategic Objective 1:

an excellent service that is easy to find and use

Percentage of customers dissatisfied with outcome and neutral or dissatisfied with service against a target of 20%



Managing Risk

Risk: We do not deliver a service which is easy to find and use	
Consequences	Key indicators
Decline in customer satisfaction	Survey results
Decline in new cases	Management reports
Criticism of our performance	External Reviewer reports
Failure to meet our casework standards	<ul style="list-style-type: none"> > Reduction in casework staff levels or performance > Information Commissioner’s Office decisions

During 2017-18 the number of cases waiting to be allocated to an investigator increased to a level more than we would like, so we increased the risk rating to red. Despite this, the time taken to reach decisions remained well within our targets. Reducing the number of unallocated cases was a priority for us, with casework managers focusing on measures to maximise the allocation and flow of complaints. This included more actively managing individual, team, and organisational performance and weekly reporting.

When looking at the direction of travel in the number of unallocated cases, they reached a peak in the third quarter but started to come

back down by the close of the year. The volume of incoming cases remained steady throughout the year.

Our customer satisfaction survey results and our media coverage are reported to the Commission quarterly. Survey results remained stable and consistent with previous years’ findings. Media coverage remained predominantly positive or neutral in tone.

Our External Reviewer reports (see page 55 for more details) highlighted no significant issues in the year. There were no rulings from the Information Commissioner’s Office that required us to take action over a data loss.

Strategic Objective 2:

delivering effective redress through impartial, rigorous and 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	Review of our decision statements every four months
Outcome of review requests	Core management data
Achieving remedies to our satisfaction	Casework management system reports

Overview

Our core purpose is to give the public an independent view of their issue, and a means to put things right if they have suffered an injustice. No matter the outcome of our investigations, we also provide bodies in jurisdiction with the assurance of an independent and final resolution to a complaint. We can only achieve this by thorough and totally impartial investigations that reach a well-reasoned decision, and have fair recommendations to remedy injustices.

methodology, we see artificially higher numbers of statements failing to meet our standards than if we took a completely random sample of decisions.

This year our reviews found the majority of sampled decisions (up to 85%) were written in a way that met all our required written standards. In the cases that were not, the decision itself is not necessarily unsound, but the statement, for example, may not have followed our prescribed structure, things might have been explained more clearly or superfluous detail may have been included.

Quality of our decision statements

We monitor the quality of our decision making every four months by reviewing a sample of decision statements. We do this against a range of criteria, including the quality of the decision making, the consistency of the outcome, and how clearly we explained the decision.

During 2017-18, we continued our approach of concentrating our reviews on areas highlighted by staff as needing particular attention. This involves picking statements to review where we are most likely to find issues, and reassessing statements that needed attention in future reviews. We do this to maximise the impact of the review monitoring. However, because of this

Strategic Objective 2:

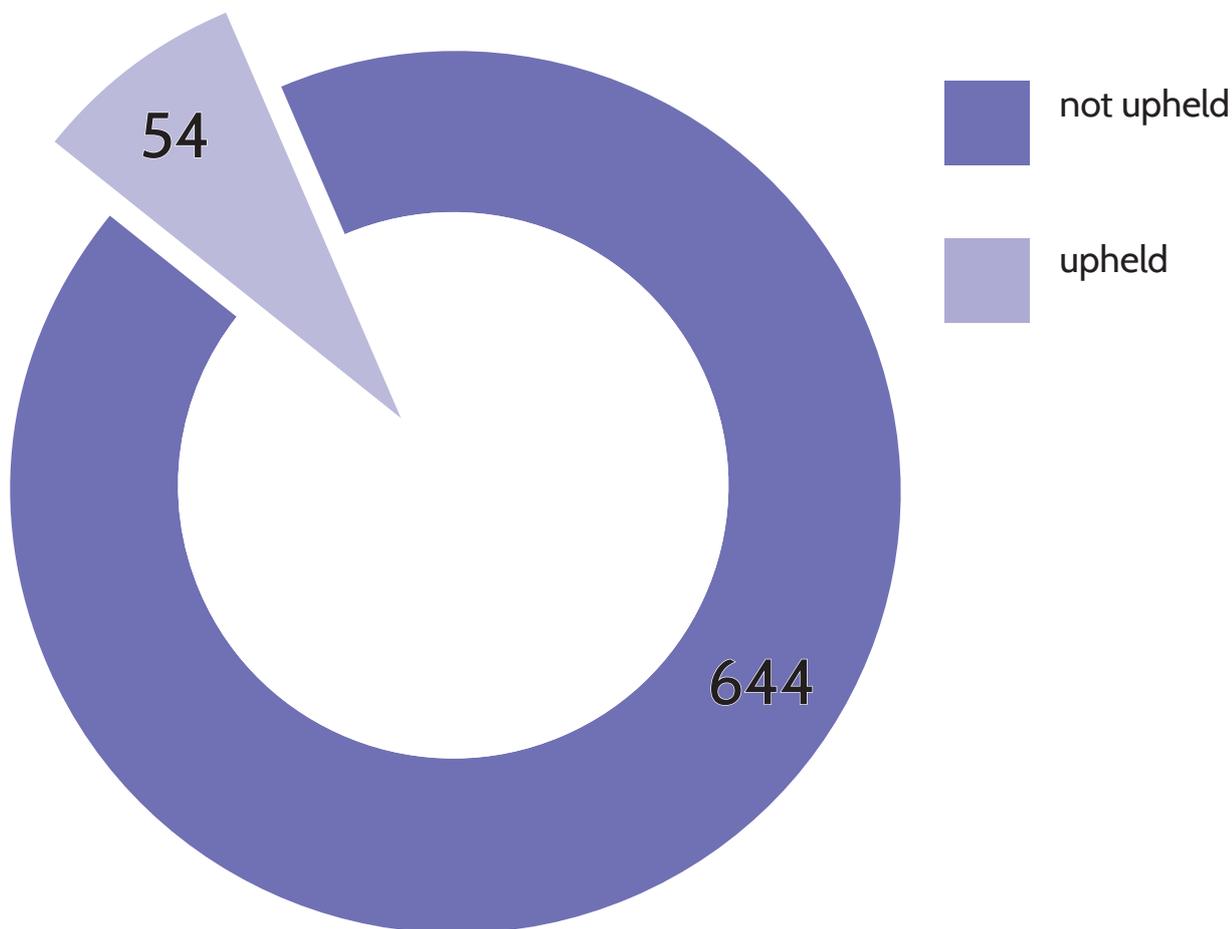
delivering effective redress through impartial, rigorous and proportionate investigations

Reviews requests

While our job is to provide closure to the complaints process, people who use our service do have the opportunity to ask us to review their decision. We review them if the complainant feels the decision was based on inaccurate facts or new evidence has arisen that would have affected the decision we made.

Because we give people the opportunity to comment on a draft decision, the number of

review requests we receive is relatively small. In 2017-18 we received 698 requests to review our decisions. This is a significant decline from the previous year's number of 819. In 54 cases, we decided our decision was not up to the expected standard. This represents 8% of all review requests. Reviews of decisions are carried out by a senior manager unconnected with the case.



Strategic Objective 2:

delivering effective redress through impartial, rigorous and proportionate investigations

Achieving Remedy

When our investigations find unresolved injustice, we make recommendations for the body concerned to put things right. These will provide a remedy to the complainant but also, where warranted, we make recommendations to help improve services for many others.

We now track compliance with our recommendations differently, to place accountability for implementing them squarely with the council or care provider. We ask the body concerned for confirmation and evidence of actions taken by the agreed time. Previously the onus was on the complainant to come back to us if things had not been resolved.

In 2017-18, 98% of the recommendations due for completion in that period were implemented on time. Those that were outstanding do not necessarily remain so; there may be reasonable circumstances for their delay. We developed this process further during the year, as we made system changes to allow us to report more widely on our remedies, and the level of compliance with them, in the future.

Our statutory powers to make recommendations recognise the democratic accountability of locally elected councillors. Councils and care providers are not legally bound to implement our recommendations. Despite this, they almost always do.

If a council or care provider decides not to implement a recommendation, we will hold them accountable through a public report. The end process is ultimately for the body to publish a statement explaining why they have chosen not to comply. There was one such instance this year, where a care provider had to publish an Adverse Findings Notice, which is a formal public announcement of non-compliance made in the local press.

Strategic Objective 2:

delivering effective redress through impartial, rigorous and proportionate investigations

Managing Risk

Risk: Our investigations are not impartial, fair or rigorous so we fail to remedy injustice	
Consequences	Key indicators
Decline in the quality of our casework	Review of decision statements
Loss of trust from users of our service	Lost legal challenges Non-compliance with recommendations
Poor professional practice of our staff	Disciplinary action

Results from reviews of the quality of our decision statements were in line with previous years' findings, and highlighted no particular areas of concern. Decisions deemed not to have met our standard are reported back to staff to help improve learning, and any individual problems are addressed with those concerned.

In 2017-18 a challenge was heard at the county court, which criticised the way we handled reasonable adjustments on a case from five years ago. More details are in the Legal and Litigation section later in this document (page 37). We learnt from this by revising a number of internal processes and training casework staff on reasonable adjustments.

A council's judicial review of one of our reports was heard in court. The council had challenged our recommendation, which was to repay a woman's care fees, on the basis she had already received a personal injury award. The council's case was dismissed as 'totally without merit'. For more information on the judicial review process see the Legal and Litigation section later in this document.

To reflect the critical judgment against us, we escalated the risk rating to amber mid-way through the year. By close of the year we had reverted it to green, following the monitoring of the impact of our reasonable adjustments processes showing no areas for concern, and

the council's judicial review challenge being concluded in our favour.

There were no statements of non-compliance to our recommendations published by councils in 2017-18 (the one instance in the year was a care provider). However, we did have a small number of public reports where councils challenged our recommendations, and which may result in a formal action of non-compliance in the future.

There were no instances of disciplinary action being taken to cause concern about the level of professionalism of our staff.

Strategic Objective 3: learning from complaints to improve public services

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

Right at the heart of our strategic objectives is to use the intelligence from our investigations to help improve public, and adult social care, services. Our casework is an invaluable tool to help local authorities and care providers review their own policies and practices.

We support the learning from our investigations in many ways. Firstly, directly through our casework, we often make recommendations to improve services for the many, as well as the individual that complained. These service improvement recommendations often comprise reviewing policy or practice, staff training or actions to improve awareness among staff. We made 730 recommendations aimed at improving services in 2017-18.

In one case, following our investigation about a man who spent his final weeks bedridden because the council failed to arrange for a specialist chair, we recommended the council review its practice. It ended up overhauling its Occupational Therapy support and looked to double its number of therapists to 40. While a sad situation, the positive outcome is that the learning from one complaint is benefiting many people.

We host our published decisions online, for others to use and learn from. For the last five years we have published anonymous versions of all our decisions (other than in

certain circumstances where to do so might reveal identities). We now have more than 40,000 decisions on our website. Our bodies in jurisdiction tell us they use this regularly to help improve their complaint handling, understand where we may find fault, and compare the types of remedies we recommend.

This year we introduced a new e-newsletter service to drive more awareness of our decisions and casework findings so they can be used for learning and improving services. This includes a weekly email alert providing links to our newly published decisions in our four main complaint categories: education and children's services; adult social care; housing; and planning. We also introduced a new bulletin aimed specifically at adult social care providers in an effort to raise more awareness of our role within the independent adult social care sector. We have been encouraged by the number of people subscribing to receive the newsletters.

One of the most powerful tools at our disposal to raise awareness of our investigations is a public interest report. This involves a more detailed report of our case, which is promoted in the media, and has associated requirements for councils to make public announcements. These reports can help to drive wider service improvements, publicise landmark cases, as well as help inform wider public policy debates.

Strategic Objective 3:

learning from complaints to improve public services

The decision to publish a public interest report is made against the following criteria:

- > 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
- > Non-compliance with a recommendation

In 2017/18 we published 42 public interest reports – 40% more than we published the previous year. The majority of these reports were about three topics: adult social care; education and children’s services; and councils’ housing and homelessness services.

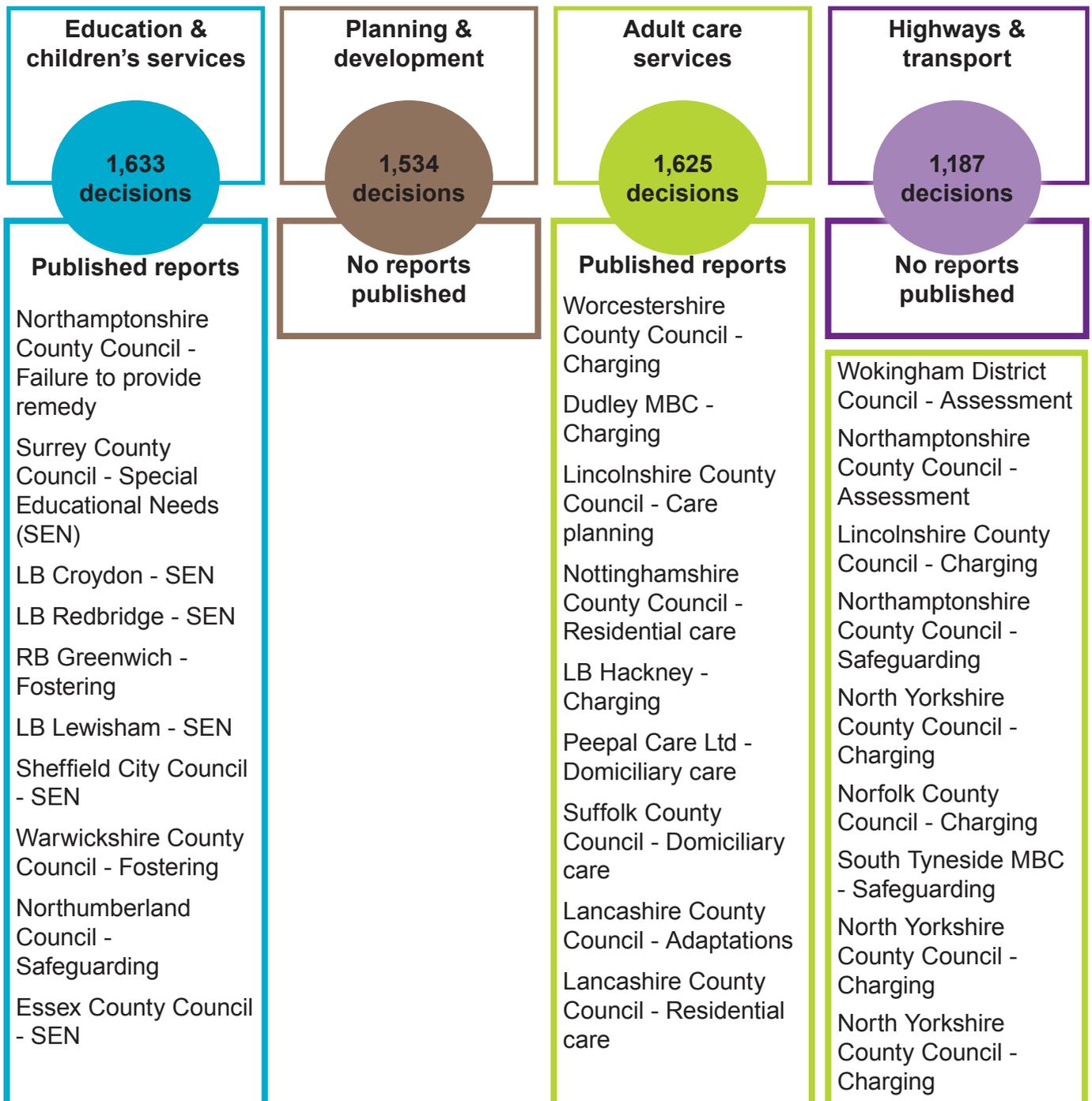
We share the unique insight from our casework with Parliament, government departments and others to help improve complaint handling and public services for everyone. For example, this year we contributed by giving evidence to two key parliamentary inquiries: the Public Accounts Committee (PAC) looking into homeless households; and the Public Administration and Constitutional Affairs Committee (PACAC) looking into accountability when public services are outsourced.

The insight from our work also helped shape recommendations put forward in an influential Competition and Markets Authority (CMA) report about making the complaints system work better in the adult social care and care homes sector. Our proposals to the National Institute for Health and Care Excellence (NICE) guidelines for care homes were taken forward. We suggested how care homes could more explicitly use the complaints system to help improve the experiences of residents.

Decisions and reports

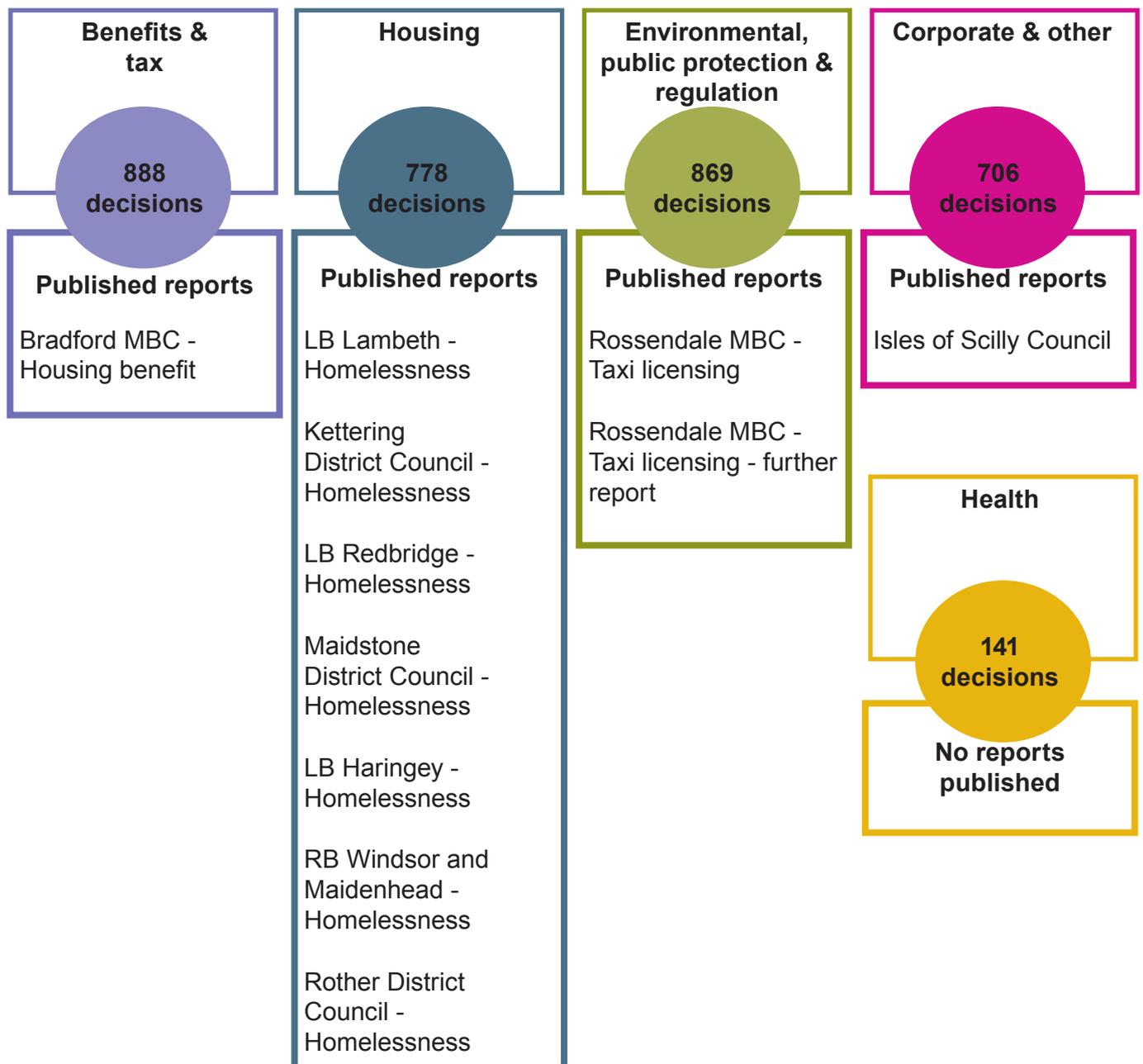
Our decisions are published at www.lgo.org.uk/decisions and can be searched by theme, key word, category, decision outcome, date and organisation.

Our press releases to highlight our public interest reports can be found at www.lgo.org.uk/information-centre/news



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 scrutiny questions for councillors to ask of their local authority. The themes we cover are based on analysis of our casework findings and statistics, alongside consideration of external factors.

This year we published four Focus Reports:

The Right to Decide: towards a greater understanding of mental capacity and deprivation of liberty

We highlighted that some vulnerable people are being forced into situations against their will. This is because councils and care providers are not always following the right processes when making decisions on behalf of people who lack mental capacity to choose how they are cared for.

Lifting the Lid on Bin Complaints: learning to improve waste and recycling services

We revealed the outsourcing of services was a common factor in the complaints we uphold about waste and recycling services. While many thousands of bins are collected successfully every day, we upheld 81% of the complaints we investigated the previous year. We called on councils to ensure proper oversight of their contractors, remembering that they remain responsible and accountable even if they outsource a service, and to appreciate the impact on citizens of the increasingly commercialised nature of waste services.

Education, Health and Care Plans: our first 100 investigations

We said families of children with special educational needs (SEN) are sometimes facing a disproportionate burden to ensure they get the support they need. After reflecting on our first 100 investigations about the replacement system for Statements of SEN, we found families were sometimes suffering excessive delays in getting the right support, with children ultimately failing to reach their potential. We found fault in nearly 80% of investigations.

Still No Place Like Home: councils' continuing use of unsuitable bed and breakfast accommodation for families

We showed that homelessness is increasingly affecting families outside of the capital and the south east, and from professions who previously may never expected to face problems finding somewhere to live. Worryingly, many of the problems highlighted in our similar report on this topic in 2013 still persist today. We also said there are signs the problems are becoming more acute, with an increase in the length of time families are having to stay in temporary accommodation, and some of the conditions being akin to 'Dickensian'.

Strategic Objective 3:

learning from complaints to improve public services

Scrutinising complaints data

We published our Annual Review of Adult Social Care Complaints 2016-17, which released all our complaints data in this area. The report highlighted how complaints could be harnessed to improve services, and the power of one person to affect change by speaking out. We welcomed the mature attitude of councils and care providers in remedying injustice, in the more than 1,300 recommendations we had made. These include many to improve services and train staff.

As we do each year, we wrote to local authority chief executives providing a summary of the complaint statistics about their authority, and feeding back on any good or poor performance in responding to our investigations. These letters help with public scrutiny of complaint handling, and, in the case of Northamptonshire County Council, were used as evidence by the independent inspector called in by the government to look into the management of the council's finances.

These letters and statistics are published at www.lgo.org.uk/information-centre/councils-performance

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 2017-18 we expanded our offer to include 'open courses' for care providers where we host the venue. These improve the access to the courses by allowing smaller numbers of delegates to attend from different organisations. We will continue to offer open courses to both care providers and local authorities in the future.

We delivered 58 courses: 53 courses to local authorities, 4 to care providers and 1 to a fire service. We trained more than 800 people throughout the year.

Following previous suggestions from council Link Officers, we set up a network to help promote good complaint handling, and to support closer working and the sharing of best practice amongst members. We held seminars across the country for the members. Topics covered included getting complaints onto the agenda of scrutiny groups; reporting more on our remedies; and a guide to the resources on our website.

Measuring the impact of our casework

We carry out a survey of our bodies in jurisdiction each year, to help evaluate our performance against the objective: to use what we learn from complaints to help improve services.

In 2017-18, from the responses received:

- > 100% of councils thought our investigations had some impact on helping to improve local public services
- > 43% of councils thought our visibility had increased over the last year

This year we asked some new questions about our investigations and our recommendations, to more closely align the bodies in jurisdiction survey with our customer satisfaction survey.

When asked whether our investigations were impartial, fair and rigorous, on a scale of one to 10, councils on average scored us as nine (with 10 being totally agree) for all three qualities.

When asked whether our recommendations were clear, consistent and proportionate, again we were scored on average nine for the three qualities. Within that question councils scored us slightly higher for clarity of recommendations over proportionality.

The independent care sector is a newer area of jurisdiction for us, and it has a lower awareness of our role. Although the amount of responses we received was lower than for councils, the results were encouraging.

From the responses received:

- > 94% of care providers thought our investigations had some impact on helping to improve local public services

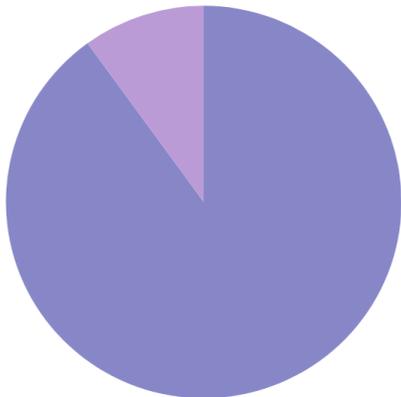
- > 35% of care providers thought our visibility had increased over the last year

Care providers resoundingly scored us as ten for the impartiality, fairness and rigorousness of our investigations; and for the clarity, consistency, and proportionality of our recommendations as well. Encouragingly, a third of care provider respondents had read our recently published guidance on Funded Nursing Care Payments.

The results indicate there is more work to be done in the care sector to raise awareness of peoples' right to come to the ombudsman about a private-funded adult social care complaint: only 76% of care provider respondents referred people to us in their complaints processes. The Competition and Markets Authority recently called for statutory signposting to the ombudsman.

Strategic Objective 3:

learning from complaints to improve public services

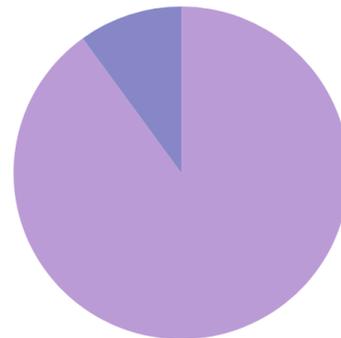


Councils scored our investigations nine out of 10 for being impartial, fair and rigorous

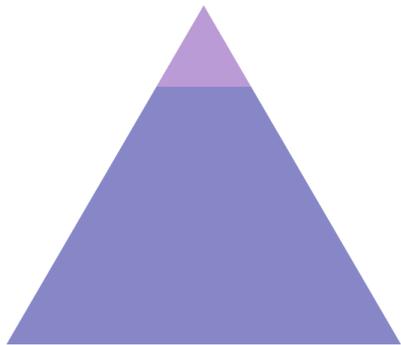


94%

of care providers thought our investigations had some impact on helping to improve local public services



Councils scored our recommendations nine out of 10 for being clear, consistent and proportionate



76% of care provider respondents referred people to us in their complaints processes



43% of councils thought our visibility had increased in the past year

Strategic Objective 3: learning from complaints to improve public services

Managing Risk

Risk: We fail to use the learning from complaints to help improve local services	
Consequences	Key indicator
Seen as not relevant by stakeholders	Our non-contribution to public consultations Bodies in jurisdiction survey results
Reduced impact of external facing work	Reduction in positive media coverage and number of reports
Reduced staff input into external facing work	Failure to meet business plan targets or demand for external training courses

Risk in this area was marked as green throughout 2017-18. We revised our public interest reports process, revisited our reporting criteria, and took steps to promote the impact of our casework more internally. Staff have come forward with an increased number of high quality reports this year, which have helped to remedy injustice and give a voice to some of the most vulnerable sections of society.

There has been an increase in interest from the media in our Focus Reports, particularly in areas of passionate public debate, like housing and special educational needs. Our report on councils' inappropriate use of bed and breakfast accommodation achieved widespread national coverage and was raised during a debate in Parliament.

We contributed to a number of key consultations where our casework could inform public policy. The Ombudsman gave evidence at two select committee inquiries to pass on insight from our complaints to support the improvement of services.

We saw continued demand for our complaint handling training courses, and this year we successfully trialled a new format of 'open courses'.

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

Ensuring Accountability

To maintain trust from the public and bodies in our jurisdiction, we aim to be fully transparent and accountable for our actions.

Our board, the Commission for Local Administration in England, sets our budget and business plans. Its work is scrutinised by the Audit and Risk Assurance Committee and the Remuneration Committee. We have government internal auditors who support the work of our Committees, and our Annual Accounts are audited by the National Audit Office.

We publish a huge amount of information to open ourselves up to scrutiny. This includes the meeting papers for Commission, and Audit and Risk Assurance Committee, meetings.

We publish each casework decision, except where to do so may compromise the anonymity of people involved in the complaint. We also publish our internal staff guidance and process manuals so there is openness around how we reach decisions.

From an external perspective, we have an Independent Reviewer, who reviews the responses we give to complaints about our service. We also have an Advisory Forum made up of people who have used our service, to help provide challenge and feedback to what we do.

Parliament exercises independent scrutiny of our performance through the Communities, Housing and Local Government Select Committee. Our relationship with our sponsor department, the Ministry of Housing, Communities and Local Government, ensures accountability to Government for the way in which we use public money, although both parties ensure that this relationship does not compromise the independence of our decision making.

Managing Risk

Risk: We are not accountable to the public and fail to use our resources efficiently	
Consequences	Key indicators
Challenges to our independence and credibility	Government intervention into our operations
Loss of trust in our integrity and probity as a public body	Select committee criticism
Failure of our governance and financial systems	<ul style="list-style-type: none"> > Significant underspend or overspend > Staff fraud > Insufficient skills in key areas

This area was marked as low risk throughout the year. We continue to have a positive relationship with our sponsor department the Ministry of Housing, Communities and Local Government (MHCLG); with the Chair, Chief Executive and Head of Finance meeting with officials on a regular basis. The Framework Agreement, which sets out how we work together, was updated in December 2017. We have been operating in line with that agreement.

We maintained a full team of board members by successfully appointing two new Advisory Members to replace the two who had reached the end of their terms.

We did not receive any criticism from the Communities, Housing and Local Government Select Committee. Moreover, the Ombudsman was invited to appear at two select committees evidence sessions this year to provide insight of the experiences from our casework to inform public debate.

Our governance and financial control systems operated effectively during the year. An internal audit of our financial controls and counter fraud approach confirmed a high level of assurance.

We completed work on a new three-year Corporate Strategy. This plans how we will continue to improve and develop as an excellent ombudsman service. It shows where we will invest in our staff and systems, within the resources we have available.

As detailed in the next section, in 2017-18 careful management of our budget allowed us to spend in line with our projected budget, while allowing us to return an amount to the sponsor department within year.

Strategic Objective 4: using public money efficiently & effectively

Our performance

We maintained sound governance and ensured efficient and effective delivery of our core business throughout 2017-18. Full details of performance against these measures are contained within the Accountability Report and Financial Statements later in this document. Our Executive Team monitors financial performance against individual budgets on a monthly basis and reports variances to the Commission. Our net expenditure for 2017-18 was £12,734,000 (see page 70) which was an increase of £741,000 compared to 2016-17.

Value for money

We continued to offer value for money by looking for efficiency savings. Effective budget management allowed us to return more than £200,000 to the sponsor Department within the year.

We operate with one of the lowest cost per complaint in the sector (£884).

Environment and Sustainability

Our aim is to reduce the impact of our business on the environment in a sustainable way. This includes reducing travel by the use of video conferencing as well as recycling office consumables. The buildings that we occupy are all part of the Government estate and we take an active part in all building-wide initiatives at all three sites.

Equality, diversity, inclusion and staff matters

We provide an independent and impartial service to everyone, which is underpinned by a commitment to promoting diversity, equality and inclusion. We are committed to eliminating barriers that prevent or deter people from accessing our service, and we tell complainants they can request adjustments to the way we work.

We fully support the principles of equality and diversity in employment, and the respect of human rights. As part of that principle, all staff, regardless of age, disability, gender, race, religion or belief, sexual orientation, or any other irrelevant distinction, should receive equal pay for the same or broadly similar work, for work rated as equivalent and work of equal value. We use National Joint Council pay scales.

We support a culture of learning, where individuals take responsibility for their development in partnership with the organisation, and we recognise the need to develop staff so that they are fully equipped to deliver the business objectives, both now and in the future.

We work with the staff trade union and have an elected staff committee which considers and makes recommendations on matters affecting staff. These include health, safety, mental wellbeing, welfare conditions in the office and methods of work. This ensures regular communication between the management team and staff representatives. Every two years we conduct a staff survey to provide staff with the opportunity to express their views. For more details see Staff survey section later in this document (page 47).

Managing Risk

Risk: We have insufficient resources to deliver our strategic objectives.	
Consequences	Key indicators
We face a funding crisis	Our budget is cut below the level we can operate
Lack of capacity to operate our business model	<ul style="list-style-type: none"> > Failing our business objectives > Inability to recruit and retain staff

Like all public bodies, we were allocated funding for the current 2016-20 spending review period. Within this period, our funding has been subject to a proposed 30% cut to reflect anticipated savings from the creation of a single public service ombudsman. The delay in introducing legislation, however, has meant these savings are not possible in this spending review period. Following discussions with the sponsor Department, where we assessed all

potential savings and funding alternatives, the Department has confirmed a 'status quo' budget for the 2018-19 and 2019-20 years. This is on the basis we will continue to operate as a standalone body.

We recruited a number of new investigators, to maintain our staffing levels near to 100% of capacity throughout the year.

Risk: We fail to stay relevant and do not manage change well	
Consequences	Key indicators
Failing to act on opportunities and threats	Changes in local government make it harder for people to complain to us
Our experience not seen as relevant to future reforms	Lack of input into Ombudsman sector reform

This risk was marked as amber throughout the year. This was to reflect that our work with the new combined authorities proved more challenging than expected. We continued to engage with the new authorities on understanding and developing complaints handling processes. However, this year we took a more measured approach to our engagement, which better reflects the variable pace of change in the different bodies, and that progress in this work to some extent is out of our control.

We had anticipated this year to be more involved with the development of a new Public

Service Ombudsman for England. However, it has become apparent the impetus for the scheme has subsided and parliamentary time for the Bill in this current session is unlikely to be found. We remain committed to the premise and ready to pick up where we left off should the scheme come forward in the future. Once the new government was formed in July, we published a joint submission with the Parliamentary and Health Service Ombudsman (PHSO) to the Draft Bill, which welcomed the proposal and made a few suggestions where we thought it may be strengthened.

Strategic Objective 4: using public money efficiently & effectively

Risk: Our computer systems fail to operate effectively or are unavailable	
Consequences	Key indicators
Our IT systems fail to support our business or become compromised	<ul style="list-style-type: none"> > IT failures prevent the progression of cases > Cyber-attacks which cause services to become unavailable > Personal data lost or compromised

In 2017-18, we added a new risk to our strategic risk register regarding the security and effectiveness of our computer systems. It was marked as green during the year.

This year we successfully installed the Microsoft Office 365 platform. This allowed us to significantly improve our email security and resilience, and upgrade our desktop software to Office 2016. We also migrated our Complaints Management System data to a new and improved server infrastructure. Our Complaints Management System also had two major upgrades. These upgrades and improvements provide a resilient and secure platform for our current requirements; and for any future IT innovation or investment in digital technology. We set out our ambitions in this area in a new 'digital principles' document, which underpins our new Corporate Strategy.

Our systems were not breached by any cyber-attacks, or any personal data compromised through IT failures. An Internal audit report gave us substantial assurance against nationally recognised cyber security standards. Systems downtime over the year was minimal and within the usual levels of tolerance.

The status of the LGSCO 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 and Social Care Ombudsman (LGSCO) 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 LGSCO in 2018-19. Informing 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 before 2019. Even then the operational integration of the LGSCO and PHSO schemes would take at least a further 18 months during which time the LGSCO would need to continue to function as a standalone body operating in its own jurisdiction.

Given this 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 LGSCO at this stage. The Commission's accounts have therefore been prepared on a going concern basis.

Nigel Ellis
Chief Executive Officer

22 June 2018

Accountability report: Directors' report

Leadership and direction

The Board of the Commission for Local Administration in England oversees the work of the Local Government and Social Care Ombudsman scheme, providing strategic direction and governance. The Board is chaired by Michael King, who is also the Local Government & Social Care Ombudsman. Rob Behrens CBE, the Parliamentary and Health Service Ombudsman, has been an ex officio member of the Commission during 2017-18. The Board also has three independent advisory members: Carol Brady MBE, Deep Sagar and Prof. Stephen Perkins. Deep Sagar and Prof. Stephen Perkins joined the Commission in January 2018 replacing two previous independent advisory members whose terms of office had come to an end. The Secretary to the Commission is Nigel Ellis, LGSCO'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.

LGSCO's Executive Team is responsible for the operational direction and delivery of the scheme. The Executive Team (ET) 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.

In practice, ET delegates some of these operational decisions to other committees, so it maintains its high-level focus on LGSCO's work and distributes authority to others wherever appropriate. Members of the Executive Team work closely with a wider group of 18 managers

across the organisation which make up the Leadership Team. This helps to facilitate inclusive and effective decision-making and good communication with staff. Each member of the Leadership Team has lead responsibility for a particular aspect of corporate management in addition to their own team management role and, following discussion, members take collective responsibility for implementing and supporting organisational decisions.

Sub-groups of the Executive Team meet on a regular basis to oversee key areas of work, including: determining casework policy; casework performance and quality; disseminating learning from investigations; and delivering corporate support functions. Distributing formal authority to a wider group of managers and committees improves efficiency and transparency, and ensures the right people are in the right meetings to get things done.

Staffing

Monthly monitoring of staffing levels and vacancies compared with the organisation's planned establishment and budget is carried out by the Executive Team each month, to ensure LGSCO maximises its staffing capacity throughout the year.

At the end of the year, the organisation was 98.1% staffed – if comparing the number of actual staff in post with the total number of posts for which funding was available. This figure is crucial to ensure that LGSCO is making the most of available resources but also at no time is at risk of over-spending the total staff costs budget.

Turnover of staff has been notably low over the year, generally below 2%, but where vacancies have arisen, recruitment for replacements has been commenced immediately, unless there

was a particular reason to review the position. The percentage of days lost due to sickness has also remained low, at around 2.5%. Both these figures are well below the sector averages which are used as benchmarks.

Accommodation

LGSCO has three offices located in shared accommodation in government owned buildings in Coventry, York and London. LGSCO utilises this accommodation in conjunction with an agile working policy and the provision of technology and remote access to systems, which allows some home working for LGSCO employees. This allows LGSCO to deliver its services to the public, achieve the space utilisation and financial savings required by Government and provide LGSCO employees with flexibility in their working lives.

Sponsor arrangements

LGSCO's sponsor department within government is the Ministry for Housing, Communities and Local Government (MHCLG). The Accounting Officer and others met over the course of the year with officials from the Partnership and Delivery Unit of MHCLG and exchanged written updates on a regular basis. In addition, LGSCO participated in meetings between different 'arms-length bodies', which are hosted by MHCLG officials from time-to-time.

LGSCO's relationship with its sponsor Department is formally set out in a Framework Document. The current framework document was updated in December 2017 following detailed discussions with MHCLG, to emphasise the distinct character and independence of the LGSCO scheme.

This sets out the governance arrangements agreed between the Commission and MHCLG.

It also recognises the personal authority of the Ombudsman in relation to complaints and investigations, and does not impose any restrictions on the independent exercise of the Ombudsman's quasi-judicial statutory functions. The Commission, its Chair and Accounting Officer have acted in accordance with the terms of the agreement throughout the year, and working arrangements with MHCLG have remained clear over that time.

Budget

LGSCO has made significant real terms efficiency savings in recent years, totalling 43% of its operating budget. This has been extremely challenging, and whilst every effort has been made to ensure the necessary changes were made without detriment to the service or to staff, all involved now recognise LGSCO operates on an extremely lean budget. As a result, the organisation 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 failures in core systems.

As in previous years, LGSCO prepared a detailed business case for MHCLG in 2017 setting out the funding history of LGSCO, current spending patterns, and proposals for future budgets. This was discussed by the MHCLG's Finance Sub-committee in October 2017 and, following on from this, the budget for 2018-19 has been agreed by MHCLG as £11.085 million. In addition, an indicative budget for 2019-20 has also been agreed as £11.305 million.

Pension arrangements

LGSCO 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 LGSCO by the Local Pensions Partnership (LPP).

The Directors estimate that at 31 January 2018 the scheme has a surplus of approximately £14 million when measured on the basis used for the purposes of calculating future contribution rates (at 31 March 2017 there was an estimated surplus of approximately £1.4 million on this basis). The significant improvement in the funding position during 2017-18 is largely due to the return on scheme assets materially outperforming the assumed returns.

In previous years, the Commission has obtained funding for and made one off payments towards the pension liability, in March 2015 (£5.6 million) and March 2016 (£1.5 million), however, no such funding was sought in the last two years. The Commission remains committed to managing and funding the pension liabilities through working with MHCLG, who are the ultimate guarantor of the LGSCO 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 £25.2 million at 31 March 2018 (2017: £32.4 million). This deficit is shown in the Statement of Financial Position on page 71 and more details are available in Note 12 to the Accounts on page 84.

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 fund the ongoing scheme and 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. 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. The actuary determined that the contributions only needed to cover the normal ongoing liability and did not need to include any element of deficit repayment, as had been the case in the previous three-year schedule. For 2017-18 to 2019-20 the rate of Employer contributions is 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 MHCLG's liability) would be approximately £55m in this event.

Procurement

LGSCO regularly reviews its arrangements for services and contracts, where appropriate utilising the opportunities available through the Crown Commercial Service. This year

we created a central contracts and services register which supports our forward planning of procurement of contracts for goods and services. A benchmarking exercise for the provision of Legal Advice was completed and a new contract awarded delivering value for money and a continuity of service.

Payment of suppliers

LGSCO 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 LGSCO met its target, making 98% of supplier payments on time (98% in 2016-17).

Legal and litigation

In certain circumstances, 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; it is not an appeal against the Ombudsman's decision. During the course of the year, LGSCO was notified of 10 potential judicial reviews through the issuing of a pre-action protocol (a process that the Court expects parties to use before commencing an application for judicial review). There were a further five potential judicial reviews received where this pre-action protocol was not followed.

During the year, a County Court judgment was critical of the way the organisation handled reasonable adjustments under the Equalities Act in relation to a complaint dating back five years. The judgment found that whilst LGSCO's procedures were deemed to be fit for purpose in respect of the legal duties imposed on the organisation by the Equality Act 2010, they had not been properly implemented in respect of the

individual case. We had already taken action to make certain specific improvements including revising our policy on reasonable adjustments but, in addition to this, we delivered training for all our staff to highlight the importance of meeting the individual needs of users.

Over the year, LGSCO has continued to receive external legal advice and representation from Bevan Brittan LLP. This arrangement is based on an annual retainer agreement and continues to work well in practice, in comparison to the previous arrangement of employing in-house solicitors. Feedback from our investigators is also extremely positive. During the year LGSCO issued an invitation to tender to legal service suppliers registered on the Crown Commercial Services panel, in order to identify if an alternative supplier might be able to provide a more cost-effective service which could meet our requirements. After considering a range of bids, a panel concluded that none of these represented better value for money and so we decided to re-engage our existing provider, Bevan Brittan LLP.

Business plan

Every year LGSCO sets out its business goals and proposed outcomes in a detailed business plan. This details our key business objectives and benefits, the significant milestones and deliverables, and how we measure performance.

Each initiative 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. Last year we introduced a wider spread of staff involved in the delivery of the plan. This has helped to expand accountability and ownership across the organisation, and to help strengthen our day to day management and reporting of business plan work.

All initiatives in the plan support and link explicitly to one of LGSCO's four Strategic Objectives:

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

The Executive Team monitors progress on delivering the plan each month. Every item has a red/amber/green rating and a narrative to highlight any issues, or particular challenges. The Leadership Team also considers progress against the plan at its bi-monthly meetings. Detailed updates are reported quarterly to Commission meetings. This level of oversight helps LGSCO co-ordinate and prioritise its activities and resources. It also ensures there is support, understanding and engagement throughout the organisation for our developmental projects.

In 2017-18 we set out a balanced and diverse range of work. It combined our ongoing commitment to preserve the quality and responsiveness of our core service and to maximise the impact of our casework, with a range of new initiatives. We continued to be mindful of the particular pressures we have in balancing our limited resources with commissioning and delivering new initiatives.

At year end, we had delivered the majority of work in line with our schedule and the expectations set out at the start of the year. We fully completed fifteen of the twenty projects commissioned, and succeeded in taking significant steps to develop, improve and move the work of our organisation forward.

We established a long-term digital 'vision', a clear set of digital principles, and identified what we want to deliver through to 2021. We delivered a business wide upgrade to Office 365, rolled out Office 2016 and made our email system more resilient and secure. Together, these provide a solid platform for future innovation using information technology.

Our longer-term project to improve our ability to report remedies and compliance amongst bodies in our jurisdiction, remains firmly on schedule and moves into the second year with clear deliverables, with much of the critical groundwork on data quality having been completed.

We continue to engage with combined authorities as they emerge and develop across different parts of the country. We want to better understand their arrangements for complaint handling and adapt our practices where necessary. This work began in the previous year, with the recognition that we must keep pace and be relevant in a changing environment. We learnt some valuable lessons during the early work; and in 2017-18 we improved our approach by having a more measured and focused involvement. This better reflected the often uneven and variable pace of change experienced by these new organisations, and that the momentum of these developments is beyond our control. Devolution remains a new and challenging area for those working in local government, and we will continue to have discussions with new bodies and ensure our staff are kept informed and our working practices updated.

We maintained the good progress already made to reinforce our professional practice by improving and refining our internal procedures. We implemented the Ombudsman Association Service Standards Framework and currently chair the working group, which looks to share

best practice and help member organisations benchmark effectively against the framework.

We continued to extend and strengthen our links with bodies in our jurisdiction. We have established a new network of local authority Link Officers, culminating in a productive and well received series of Link Officer seminars. As well as hearing different views and discussing common issues, we used these events to introduce and discuss new LGSCO initiatives.

Promotion of the organisation's role as Social Care Ombudsman is now moving into business as usual. During the past year we formally added 'Social Care' to our title and revised our website to reflect this. We consolidated our contacts in the sector and increased our profile, media coverage and presence. LGSCO has become more firmly involved and influential in the national debate on adult social care. In doing so we have established our credibility and created a greater awareness across the sector of the services we offer. We have set ourselves new goals, to continue to promote and deliver a more flexible range of training courses to social care providers.

In 2017-18 we anticipated that we would continue to be actively engaged in the work to support and progress the establishment of a new Public Service Ombudsman for England. However, it became increasingly evident during the year that the wider momentum for this scheme had significantly slowed. We remain fully committed to the possibility of a new Public Service Ombudsman and are ready to re-engage with this work when it is feasible and practical to do so.

There were some areas of the Business Plan where progress was particularly challenging.

We committed to a very ambitious aim that complainants should either receive a decision,

or have their case allocated to an investigator, within 20 days of contacting us. This remains a key organisational priority and a focus of management attention, but we have yet to achieve the aim. A plan to address the challenges involved has been implemented.

We have done much over the year to develop our joint working team, together with colleagues at the Parliamentary and Health Service Ombudsman. This relatively new team handles joint health and social care complaints, and is a crucial part of our core service. Following a review towards the end of the year, we decided to refocus our approach and give the joint working initiative a more strategic footing. This will help us target and better guide our efforts over the next three years.

We had hoped to improve our online complaints service in 2017-18 by launching an interactive web portal for customers, and in doing so making the access to our services easier for those who prefer to contact us online. The costs involved required us to apply for additional external funding before we could proceed. This meant that we could not make as much progress as we would have wanted during the year but this remains an important initiative which we intend to deliver in our 2018-19 Business Plan.

Three-year corporate strategy

LGSCO's annual business planning is informed by a high-level three-year strategy. As the previous strategy ran until April 2018, a consultation was undertaken during the year, involving Board members, staff, stakeholders and service users, to look at our longer term aims and challenges. The resulting strategy is ambitious, particularly in light of the funding restrictions within which we operate, but we believe it is achievable. It also includes a clear explanation of how the Commission will be

measuring success in relation to each of our priorities. The three-year corporate strategy is published on LGSCO's website and has fed directly into the development of our 2018/19 Business Plan.

Joint working with other public bodies

LGSCO is committed to working with partners to improve access to its service and improve efficiency between different complaints systems. To this end we work closely with other ombudsman schemes and regulatory bodies operating in relevant sectors to co-ordinate initiatives and foster joined-up public services. We are also keen to collaborate with, and learn from, other bodies to encourage innovation, improve practices across the sector and avoid duplication of effort.

For some years, LGSCO has successfully operated an information sharing agreement and memorandum of understanding with the health and social care regulator, the Care Quality Commission (CQC). This helps both organisations take a joined-up approach to improving care services. For example, our investigators share their final decision statements with CQC wherever a potential breach of the nationally agreed minimum standards of care is identified as part of our investigation. This has enabled CQC to identify themes to feed into Alert Reports, potentially triggering an early inspection of a care provider.

There are also links between the two organisations' websites to help people find the information they require from either organisation. Our Intake Team have maintained their links with CQC's Customer Service Centre to improve signposting, and to efficiently transfer members of the public by phone from LGSCO to CQC if they wish to register a complaint and vice versa. Across the course

of the year we have helped more than 3,000 people reach the right service. In addition, we are now able to track complaints from transfer to investigation decision. We have also been working with CQC on their 'Share Your Experience' project. The future aspiration is that this will automate the electronic transfer of service users' comments from CQC to LGSCO.

During the last year, LGSCO participated in developing a protocol to improve the way health and social care regulators share intelligence between one another. The protocol will enable participating organisations to convene multi-agency meetings to discuss serious concerns about service users or professionals, and decide upon an appropriate response which makes best use of each organisation's respective powers. The protocol will be adopted into our procedures in May 2018, and will enhance the valuable work we already carry out with these organisations.

Our working relationship with Ofsted has continued to strengthen now that we have a formal information sharing agreement. All upheld complaints relating to children's services and special educational needs are shared with Ofsted as soon as they are issued. These are immediately passed to the Lead Inspector for the relevant area. Our decisions have been used to inform discussions with Directors of Children's Services, and it is anticipated our findings will also help inform future inspections under the new arrangements. Ofsted has also agreed to inform us of any concerns it has about a local authority's failure to implement policy or procedural changes recommended by LGSCO following an investigation.

There continues to be a need to share information with, and refer complainants to, the Housing Ombudsman Service. This supports members of the public who can sometimes be confused about which organisation they should

contact about their complaint. We continue to see high volumes of people approaching LGSCO regarding complaints about a local authority's role as their social landlord. On average, we signposted around 125 people a month to the Housing Ombudsman Service. In June 2017, we were asked to provide support during a period of change by identifying an Assistant Ombudsman at LGSCO to undertake the role of Housing Ombudsman on a temporary basis. The secondment was originally to run until December but has been extended until September 2018, by which time a permanent post holder should have been recruited.

Throughout the year, we continued to work closely with colleagues at the Parliamentary and Health Service Ombudsman to facilitate closer cooperation between the two schemes. This includes managing a team of staff from both organisations to investigate cases which span both health and social care jurisdictions, in a joined-up way. Further details about this work can be found in the Governance statement on page 54.

LGSCO is an active member of the Ombudsman Association, joining other similar bodies to share ideas and best practice, and encourage joint initiatives which will ultimately improve services to the public. This year we helped to develop a service standards framework for Ombudsmen schemes to improve their performance, embed good practice and demonstrate the quality of service they provide. The framework came into effect in May 2017 and is already being used by LGSCO as a benchmark to help us measure our adherence to commonly agreed standards of good practice. We have introduced an annual review of our adherence to the framework which will be discussed by the Commission and then published.

Statement of Commission's and Accounting Officer's Responsibilities

The Permanent Secretary for Housing, Communities and Local Government has appointed the Chief Executive as Accounting Officer of the Commission. The Accounting Officer has responsibility for:

- > the day-to-day operations and management of the organisation;
- > propriety and regularity in the handling of public funds;
- > keeping proper records;
- > safeguarding the organisation's assets;
- > confirming all steps that ought to have been taken, have been taken to make himself aware of any relevant audit information;
- > establishing the auditors have been made aware of that relevant audit information;
- > the Annual Report and Accounts, including confirming these are fair, balanced and understandable;
- > the organisation's use of resources in carrying out its functions as 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 Housing, 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 Housing, Communities and Local Government, including the relevant accounting and disclosure requirements;
- > apply suitable accounting policies on a consistent basis;
- > make judgements and estimates on a reasonable basis;
- > state whether applicable accounting standards as set out in Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- > prepare the financial statements on a going concern basis.

Governance statement

The Commission: membership and responsibilities

The Commission for Local Administration in England is the independent statutory body created under the powers in the Local Government Act 1974 to operate the Local Government and Social Care Ombudsman scheme.

The Commission:

- > ensures high standards of corporate governance.
- > ensures that effective and efficient arrangements are in place for the delivery of the LGSCO service.
- > sets and monitors the strategic objectives of LGSCO, the three-year corporate strategic plan, and the annual business plan.
- > approves and monitors annual accounts and financial estimates.
- > ensures that all statutory and administrative requirements for the use of public funds are complied with, as advised by the Accounting Officer.
- > oversees the management of risk and internal control mechanisms, as advised by the Audit and Risk Assurance Committee.
- > agrees the remuneration and benefits framework within which LGSCO operates, as advised by the Remuneration Committee.

Over the course of the year, the Commission was chaired by Michael King, as the Local Government and Social Care Ombudsman. Rob Behrens CBE was also an ex officio Commission member during 2017-18, as part of his role as the Parliamentary and Health Service Ombudsman.

In addition to the two Commission members, there are also three independent advisory members of the Commission, one of whom

is Carol Brady MBE. The others are Deep Sagar who is also the Chair of the Audit and Risk Assurance Committee (replacing Sir Jon Shortridge in January 2018), and Prof. Stephen Perkins who is also the Chair of the Remuneration Committee (replacing David Liggins in January 2018). The Chief Executive and Accounting Officer has 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 Ombudsman (referred to as the "Local Commissioner"). As stated above, this post was held by Michael King throughout the year.

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 Housing, Communities and Local Government in his role as Chair of the Commission, he is accountable to Parliament in his role as Local Government and Social Care Ombudsman.

On a day-to-day basis, decisions on casework are made on behalf of the Ombudsman by staff throughout the organisation. This is set out in detail in a scheme of delegation, clarifying

which decisions can be made by which specific categories of staff within LGSCO. This is key to 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 was reviewed by Robert Gordon on behalf of the Secretary of State for Communities and Local Government in 2013 and as such, arrangements reflect the recommendations to ensure that the role and powers of the Ombudsman are transparent, and that governance arrangements are effective in managing the LGSCO. However, current arrangements are not reflected in full in the LGSCO governing legislation, the Local Government Act 1974.

Robert Gordon recognised that the legislation required reviewing at the earliest opportunity. This would provide a proper statutory basis to operate with one Local Commissioner (Ombudsman) and would also be an opportunity to create a unified Public Service Ombudsman. The government published a Draft Bill in December 2016, to create a new Public Service Ombudsman. However, the Draft Bill did not proceed and is unlikely to be considered during this Parliament. In the meantime, the LGSCO continues to look for opportunities to incorporate the governance changes proposed in Robert Gordon's review.

The work of the Commission

Commission and committee attendances in 2017-18 are shown below.

Present	Commission meetings (5 in total)	Audit and Risk Assurance Committee meetings (4 in total)	Remuneration Committee meetings (3 in total)
Michael King (Chair and Commission member)	5	4	3
Rob Behrens CBE (Commission member and Parliamentary and Health Services Ombudsman)	5	N/A	N/A
Sir Jon Shortridge (Independent Advisory Member and Audit and Risk Assurance Committee Chair until January 2018)	4	3	2
David Liggins (Independent Advisory Member and Remuneration Committee Chair until January 2018)	4	3	2
Carol Brady MBE (Independent Advisory Member)	5	4	N/A
Prof. Stephen Perkins (Independent Advisory Member and Chair of the Remuneration Committee from January 2018)	1	1	1
Deep Sagar (Independent Advisory Member and Chair of the Audit and Risk Assurance Committee from January 2018)	1	1	1

The Commission had oversight of the progress made against the business plan for 2017-18 and at each of its meetings monitored progress against the pre-agreed milestones and outcomes. This year, the plan identified 20 key activities aimed at developing and improving the delivery of our services. Each of these was discussed between senior staff and

Board members before being agreed and each was explicitly linked to the achievement of at least one of the organisation's four Strategic Objectives. A more detailed description of the content and progress against the year's business plan can be found in the Directors' Report.

LGSCO 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 checked via a range of different measures and monitoring reports are discussed by managers at regular meetings of the Leadership Team and also at Casework Managers meetings. Ratings of red, amber or green are arrived at for each individual standard based on pre-agreed indicators as to whether the standard is being met. These ratings are reported to the Commission at each of its meetings, along with a commentary about any changes from previous ratings and action taken in relation to these. In this way, the Commission has oversight of quality assessments and adherence to service standards.

In general, there was good adherence in the majority of areas over the course of the year and actions were taken where necessary in a timely manner.

The Commission oversees strategic risk, advised by the Executive Team, again using a rating of red, amber or green. The risk register is informed by a risk assurance map, which has

been developed based on guidance issued by HM Treasury. After consulting with the NAO, we reviewed and updated the risk assurance map during the year to ensure that all the sources of assurance are up-to-date, remain relevant and are clearly understood by those involved. The Financial Instructions and Financial Regulations were also updated during the year to reflect minor changes in working practices.

The Commission oversees adherence to the organisation's key performance indicators, which are reported to every meeting using a combination of graphs, showing changes over the course of time, and narrative commentary on particular issues which need highlighting. In order to provide members with the opportunity for longer strategic discussions focusing on areas of particular interest, the Commission holds a workshop session before each business meeting, which includes a brief presentation on the topic concerned.

Workshop sessions over the last year have included:

- > How we work together: the Commission reflected on its role and working arrangements, and communication more widely with staff across the organisation.
- > Information Management: this included an overview of information security, what the LGSCO does in practice to manage risks associated with information we hold, and how we respond to requests to access our information.
- > Handover arrangements: due to the scheduled departure of two of the Commission members, the workshop before the meeting in November was used to give the existing and new members the opportunity to share information and handover responsibility to the new members.
- > Customer research: the Commission received an overview of LGSCO's approach to customer research, including findings, challenges and ambitions for the future.
- > In addition to attending the formal business meetings, Commission members also attended a two-day meeting with LGSCO managers to help to develop the corporate strategy and new business plan.

Principles of public life

The 7 Principles of Public Life, also referred to as the Nolan Principles, are important on a day-to-day basis for all LGSCO staff. During the year, the Leadership Team reviewed how the LGSCO puts these principles into practice and suggested ways to further develop our approach, from the way we use language in our communications to promote independence, to the way we publish information about our own organisation to promote transparency.

Register of interests

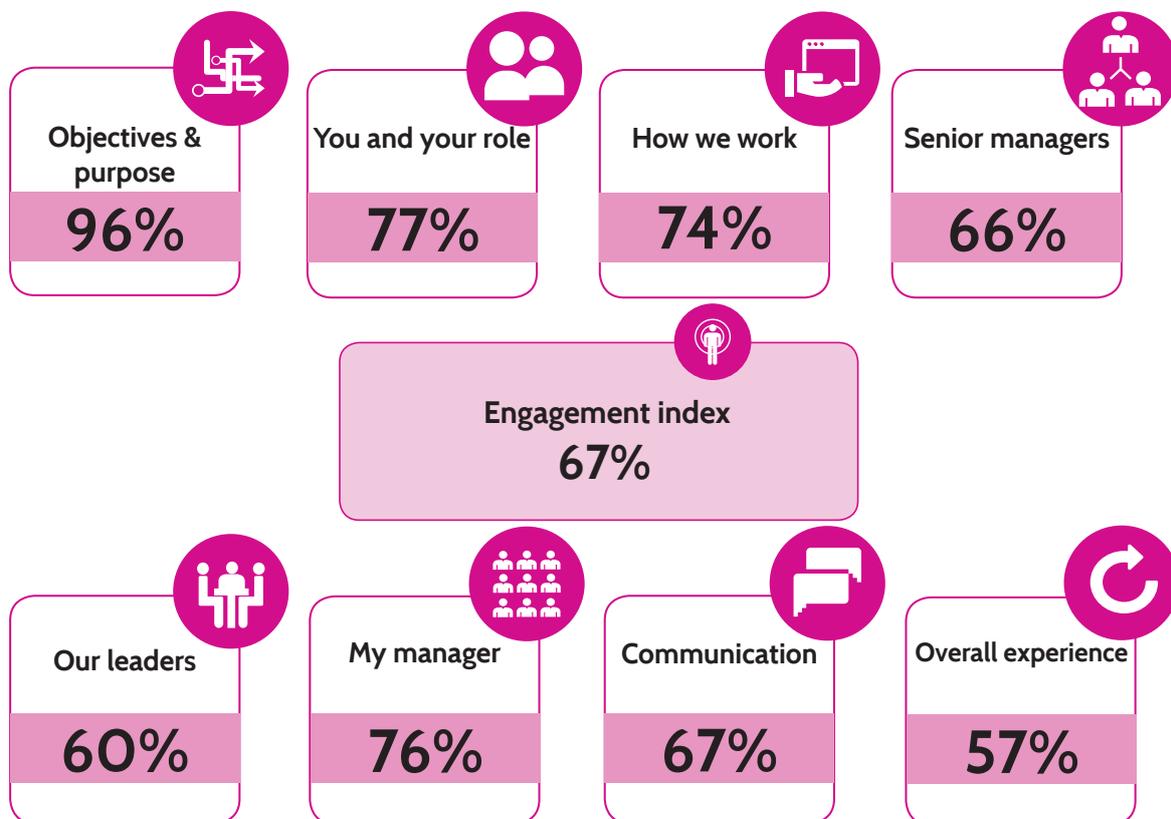
Members of the Commission and LGSCO's senior executives are required to complete a declaration of interests disclosure form. These forms are published on the LGSCO website. In 2017-18, there were no conflicts of interest that might compromise LGSCO's independence or reputation.

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

Staff survey

LGSCO undertook a staff survey early in 2018, to provide all staff the opportunity to express their views. We were able to compare views with those from our last staff survey in 2016, and to assess whether progress had been made in areas of particular importance. Once again, the survey was sponsored by Carol Brady, one of the Commission's independent advisory members, and undertaken independently of management. As a percentage, more staff took part in the latest survey (82.9% compared with 81.9% in 2016).

For the first time, the survey questions enabled LGSCO to measure results against comparable organisations, to learn from the way these organisations do things. Standard questions about pride, advocacy, attachment, inspiration and motivation enable organisations to calculate an 'engagement index'. LGSCO's engagement index of 67% compares with an index score of 61% in the Civil Service People Survey 2017 and 60% in the Parliamentary and Health Service Ombudsman Employee Survey 2017.



Gifts and hospitality

The organisation's policy is to not accept any gifts, hospitality or benefits from third parties which might be seen to compromise the personal judgement or integrity of its members or staff. LGSCO maintains a register for any gifts or hospitality that are received and which are not of a trivial nature. In 2017-18, no gifts or hospitality were received or offered that contravened the Commission's policy or were of an exceptional value.

Throughout the year, staff provided details to the Committee and Governance Clerk who updated the register as and when required. The register is published on the LGSCO website, available here: www.lgo.org.uk/information-centre/about-us/who-we-are/our-structure

Commission and committee performance

The Commission members, with the Chair, manage their individual performance. In addition to attendance and discussing their individual roles and contribution to the Commission, members also manage their own personal development to ensure that they continue to build on, and develop new skills, appropriate to their roles.

Compliance with the Corporate Governance in Central Government Departments: Code of Good Practice 2017

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: membership and responsibilities

The Commission operates with the benefit of an Audit and Risk Assurance Committee with an independent Chair. Sir Jon Shortridge was the Chair of the Committee until January 2018 when his term came to an end, and Deep Sagar was appointed as the Chair of the Committee. Other members of the Committee included Carol Brady, David Liggins until January 2018, and Professor Stephen Perkins who was appointed to the Committee in January 2018. The Commission Chair also attends meetings in an advisory capacity. The Accounting Officer, Head of Finance and representatives of our internal and external auditors also attended Committee meetings. The minutes of meetings, together with any recommendations, and the Committee's annual report, 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
- > performance of the Commission's system of internal control
- > 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 and at least one

representative of the National Audit Office and the Government Internal Audit Agency attended each meeting.

The Committee undertook a light touch effectiveness review involving the completion of a self-assessment checklist, supplied by the National Audit Office, which contained questions about good practice principles for Audit Committees, the role of the Chair and Committee support. The review helped to provide continuity and a position statement to help successors in their new roles. The Committee continued to review the Commission strategic risk register at each of its meetings and was satisfied risks were being effectively managed. Following on from the previous year's work, the Committee continued to undertake 'deep dive' reviews on strategic risks selected by the Committee. The first was held in June 2017 and this looked at strategic risk one, which is related to the quality of service LGSCO provides and whether it is easy to find and use. Following this, the organisation's approach to managing strategic risk three, which is about our learning from complaints to improve local services, was scrutinised by the Committee in January 2018.

An internal audit plan for the year, containing four audits, was agreed. The details of these reports and the associated assurance opinions are set out in the table on page 51.

The Committee monitored audit recommendations at its meetings and received regular reports on fraud and other financial matters such as the percentage of suppliers paid on time and the number of retrospective purchase orders raised. The Committee also received assurance that there were no

incidences of fraud identified over the course of the year. The Accounting Officer, with the Head of Finance, undertook an annual assurance exercise in March 2018 with managers across the organisation who make up the Leadership Team. The exercise involved LGSCO managers looking at key business risks and reviewing whether they are effectively managing risk, adhering to the Fraud and Bribery Policy including non-financial fraud, bribery and corruption, and are complying with financial regulations and financial instructions. Managers confirmed there were no significant areas of concern and agreed to minute their positive assurance that there had been no incidents of fraud or bribery during 2017-18, and they had no material concerns about the operation of LGSCO controls in relation to fraud, bribery, financial control and risk.

The Audit and Risk Assurance Committee produced an annual report on its work, which was presented to the Commission. The Committee noted there were no significant issues arising during the course of the year. The Committee also reviewed the draft Annual Accounts for 2017-18, 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 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. The Committee also notes the GIAA opinion and the assurances GIAA have provided are sufficiently comprehensive to meet the Commission's needs.

In the Committee's opinion and taking into account all evidence received, 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 2017-18 was the Government Internal Audit Agency. A programme of four audits was agreed to be undertaken over the course of the year, as well as follow-up work to report progress against actions arising from previous audits. These were reported on at every Audit and Risk Assurance Committee meeting. In designing the audit plan, due regard was given to strategic risks and priorities identified by the Executive Team. The Government Internal Audit Agency provides assurance on a four-point scale: Substantial; Moderate; Limited; Unsatisfactory. In undertaking audit work, the Government Internal Audit Agency and the National Audit Office (external auditors) had access to the Audit and Risk Assurance Committee and its Chair, the Commission and its staff, as appropriate.

Audit	Assurance level
Financial controls	Moderate
Counter fraud	Moderate
Recruitment	Substantial
Health and Safety	Substantial

The financial controls - procurement and payroll audit - looked into finance processes and related governance and risk management, as well as testing the operation of controls using a sample of transactions and approvals.

The review of anti-bribery, fraud and corruption was undertaken as part of a rolling programme of counter fraud work. The focus was on testing whistle blowing arrangements and testing for control breakdowns in the finance and payroll systems.

The audit on recruitment was to ensure that LGSCO has in place processes to provide for effective recruitment to provide appropriately skilled and experienced staff to meet business need.

The remaining audit on health and safety was to follow up and test LGSCO’s recent programme of work to assess compliance with best practice and implement changes. This audit was completed after the close of the year.

All audit recommendations are monitored by the Executive Team. Management responses are discussed and formally recorded, and these are reported to each meeting of the Audit and Risk Assurance Committee, which monitored these audit recommendations on a regular basis. The Committee was assured that all of the audit recommendations were taken seriously and responded to in a timely manner. At the end of the year, all of the recommendations had been completed by the due date.

Based on the work undertaken during 2017-18, the Head of Internal Audit provided the Committee with the following overall assurance assessment:

“In my opinion there are only a small number of significant weaknesses in control across different systems of the LGSCO, for both operational and non-operational areas.”

The overall level of assurance is moderate. This is the same level of assurance provided in 2016-17. There were no findings that materially compromise the LGSCO’s system of internal control and there were no qualifications to this opinion.

Risk Management

The Commission, advised by the Executive Team, is responsible for monitoring and reviewing strategic risks affecting the organisation and its ability to deliver its strategic objectives.

To facilitate this work, the Commission has a

risk management policy, a strategic risk register, and a risk assurance map. The key strategic risks and their end-of-year rating are shown in the table below. This was updated by the Commission at its last meeting of the year, in February 2018.

Risk	Rating
We do not deliver an excellent service and we are not easy to find or use	RED
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

Further information on the red and amber risks can be found on pages 14 and 31 respectively.

The strategic risk register was closely monitored by the Commission throughout the year and regularly shared with MHCLG. Risk management was also scrutinised by the Audit and Risk Assurance Committee (ARAC), including 'deep dive' reviews of particular areas selected by Committee members. Operational and project risk registers were also kept under review by the Executive Team and the Leadership Team, with appropriate actions taken to respond to changes in risk ratings.

The key risks identified and managed during the year related to the number of unallocated cases which has been higher than we would like in recent months, even though the time taken to reach decisions is well within our published standards. A co-ordinated plan of action is underway to ensure that the number of unallocated cases is further reduced.

The Commission and the Audit and Risk Assurance Committee are satisfied that, throughout the reporting period, risk was properly managed and effective mitigating action was taken where appropriate.

Managing information security risks

In the light of the volume of sensitive information held on LGSCO's computerised case management system, information security continues to be a high priority for the organisation. The Director of Investigation is designated as the Commission's Senior Information Risk Owner (SIRO) and was responsible for overseeing this business risk during the year and reporting to the Accounting Officer.

The Information Security Review Group met three times during the year, continuing to involve staff from across the organisation and oversee LGSCO's information security policies and procedures. It provided valuable input on preparing to implement the new General Data Protection Regulation and on amending procedures as a result of learning from data breach incidents. The group also produced and reviewed breach reports for the Leadership Team as part of our quality standards framework. During 2017-18 we reviewed the Information Security Review Group and amended its membership and terms of reference to reflect recent changes in the information landscape.

Preparation for the introduction of the General Data Protection Regulation (GDPR) has been a key piece of work during the year. This significantly changes the legislative context for our handling of information. Failing to meet GDPR requirements brings with it significant risks. We have developed and have been implementing a detailed action plan as part of our 2017-18 Business Plan activity. This has involved reviewing and updating key documents such as our Information Security Policy and privacy notices as well as producing the required Information and Personal Data Asset Register. As part of our preparation for the GDPR, all staff completed an online

training course and assessment, which was supplemented by face-to-face training sessions in each office.

Information Asset Owners are crucial to our management of information risk and have helped prepare the expanded Information and Personal Data Asset Register in 2017-18, as a central document to meet the accountability principle of the GDPR from May 2018. This has included a review of the information asset register.

LGSCO continues to review its practices against "Cyber Essentials" - a framework developed by UK government to support the National Cyber Security Strategy in making the UK a safer place to conduct business online.

In the light of our policies, procedures, training and the improvements made during the year, LGSCO 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.

The Remuneration Committee: membership and responsibilities

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

The Committee met three times in 2017-18. Two of these meetings were chaired by David Liggins, an independent advisory member of the Commission until January 2018 where his membership came to an end. After this, Professor Stephen Perkins, a newly-appointed independent advisory member of the Commission, took over the Chairmanship of the Remuneration Committee. The other members of the Committee were Sir Jon Shortridge, until January 2018 where his membership came to an end, Deep Sagar from January 2018 onwards. Michael King, Chair of the Commission is also a member. The Committee was advised by the Head of HR and the Accounting Officer, except in matters relating to their personal remuneration.

Over the course of the year, the Committee:

- > endorsed the Chair's annual appraisal of the Chief Executive's performance
- > oversaw the operation of LGSCO's Exceptional Contribution Award Scheme to ensure that the approach being taken was fair and in line with correct procedure
- > reviewed its own terms of reference to ensure that this reflected accurately the work of the Committee.

The Chair of the Remuneration Committee reviewed the Ombudsman's performance for 2017-18 against the objectives agreed with the Committee.

Joint working with the Parliamentary and Health Service Ombudsman

In December 2016, the government published a Draft Bill to create a new Public Service Ombudsman which would replace both LGSCO and the Parliamentary and Health Service Ombudsman (PHSO). Both organisations have consistently supported this initiative but parliamentary time has not been found for it to proceed and it was not mentioned in the Queen's Speech in June 2017 which set out the government's legislative programme for the next two years. Nevertheless, LGSCO has continued to work closely with the PHSO and explored ways in which a joint approach can lead to a better service for the public and bodies in jurisdiction.

As both organisations were developing a new three-year corporate strategy during the year, this presented an opportunity for both strategies to be considered in light of one another, making sure that we committed to taking practical steps towards convergence as well as taking a joint approach to improving services where possible. For example, both organisations have reviewed the way in which information about key performance – such as the length of time taken to consider complaints – is collected and made available to the public. The slight differences of approach are both unhelpful and unnecessary so, next year, we will begin collecting and publishing the same key performance information in the same way.

One of the most challenging situations faced by complainants is when their concerns and problems relate in part to social care services and in part to health services provided by or on behalf of the NHS. This can be confusing and complicated, and sometimes the people directly affected are amongst the most vulnerable, with complex needs. Our experience suggests

that some of the most serious service failures still happen at the boundaries of the health and social care systems. To add to the difficulties, such complaints neither fall wholly within LGSCO's jurisdiction or that of PHSO. This is why, together with PHSO, we have established a joint working team, which LGSCO has continued to manage on behalf of both organisations. Cases which may involve both health and social care are passed directly to this specialist team, including investigators seconded by PHSO, and formally assessed by investigators who have an understanding of both jurisdictions.

Where an investigation is needed, it will be handled by a single member of staff who will look into both aspects of the complaint. This joined-up approach may take longer on average than our other investigations – which is something we need to continue to improve – but we believe that by taking an overview of the issue from the complainant's perspective we can help to get to the heart of the problem, as well as providing better customer service. This work also provides valuable lessons about the problems occurring at the interface between health and social services.

External advisory forum

Whilst LGSCO is impartial in arriving at decisions on individual complaints, the organisation values the input of different stakeholders when we are considering making changes and improvements to our service. Reflecting this, we have an independent advisory forum to provide additional challenge, accountability and feedback about our work.

As in previous years, LGSCO organised a series of meetings of its Advisory Forum. Membership of the forum is generally for a year, during which three meetings are held. The Forum is primarily made up of members of

the public who have used our service but also includes representatives from the advice and advocacy sector and from local authorities.

It was invaluable to hear the experiences of service users first hand, along with views about what the Ombudsman service does well and what needs to improve. There was a particular focus on proposals to develop an improved online complaints service and publishing more information in a digital format, including details of the remedies recommended by the Ombudsman and how they have an impact. The forum also looked in depth at proposals for changing the organisation's approach to undertaking customer satisfaction research.

Comments from Forum members have helped to shape future agendas, which will include communication, particularly demonstrating empathy when conveying difficult messages, providing updates to complainants in a meaningful and helpful way, and what it means to be a 'learning organisation', which is able to adjust and improve its approach based on day-to-day interactions.

As an additional development of this work, videos of previous Forum members expressing what it was like to use LGSCO were used at the start of a planning event for managers, in order to set the scene and serve as a focal point for what the organisation is striving to achieve.

Independent external reviewer

Over the course of 2017-18, Graham Manfield continued to act as the independent External Reviewer. As in previous years, Mr Manfield, who has served with the Metropolitan Police and has considerable experience in evidence handling and supervising investigations and complaints about service provision, has audited a random selection of LGSCO 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 LGSCO's established quality standards. Graham Manfield's independent report is set out below.

Statement from the External Reviewer

"I have been the External Reviewer for the Local Government & Social Care 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 to service complaints, identifying good practice and making recommendations if necessary. My reviews and recommendations are 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. I found that all of the service complaints had been appropriately addressed by managers and I made recommendations to the Ombudsman in respect of only three of the 20 service complaints reviewed.

"The importance of clear communication with complainants continues to be highlighted by service complaints. Information about the Ombudsman's processes is published on the Ombudsman's website. Improvements have been made to the information provided to complainants to make clear the contact they can expect to receive and how they are able to contribute to investigations.

"Transparency is an important factor in the handling of complaints. Recordings of

telephone calls would have assisted my review of a number of service complaints but these were only available in respect of the initial intake stage. The introduction of a selective call recording system across all stages of the process in July last year and a trial where all telephone calls with complainants in selected teams have been recorded are therefore positive steps. The wider availability of recordings will increase transparency and contribute to public reassurance in the impartiality of the Ombudsman's handling of complaints".

Graham Manfield
External Reviewer

Conclusion

As the Accounting Officer, I can confirm that I am satisfied with the effectiveness of the systems of governance, risk management and internal control operating within LGSCO. I am also content that the organisation has operated in accordance with its Framework Document and has complied with all relevant external controls and requirements at all times during the year.

I am satisfied that LGSCO 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 can confirm that I am satisfied that LGSCO has been able to manage the organisation's resources effectively throughout the year, in order to deliver a high-quality service in line with LGSCO's statutory responsibilities and our strategic objectives. As always, this is made possible by the dedication and commitment of our staff, managers, Board Members and independent advisors. There has been good progress against the challenging goals which

we set ourselves in the Business Plan at the start of the year. I am satisfied that the systems in place to identify risks are fit for purpose and have helped the organisation to ensure appropriate and timely action is taken to mitigate the impact of these risks.

As reported in previous years, the significant reductions in LGSCO's funding have inevitably had an impact on our ability to deal with unexpected changes or fluctuations in external demand for our service. I am, however satisfied that the available resources are deployed effectively and the organisation is clearly focused on delivering an excellent service in accordance with our statutory responsibilities.

Nigel Ellis
Chief Executive
Officer 22 June 2018

Remuneration and Staff Report

Remuneration Committee

During the financial year 2017-18, the Remuneration Committee met three times and reported on its activities to the Commission.

The Committee is made up of two members appointed by the Commission:

- > Stephen Perkins (replacing David Liggins as Chair in January 2018); and
- > Deep Sagar (replacing Sir Jon Shortridge in January 2018).

Michael King, Chair of the Commission, is also a member. The Committee is advised by the Head of HR and the Accounting Officer, except in matters relating to their personal remuneration.

Remuneration Policy

For 2017-18 a 1.0% pay award was granted with effect from 1 April 2017 (2016-17 - 1.0%).

Ombudsman

The Local Government and Social Care Ombudsman is a Crown appointment whose remuneration is determined by the Secretary of State but funded by the Commission's budget.

Michael King's term of office commenced on 11 January 2017 and runs for a fixed term period of seven years.

Ex officio Commissioner

Rob Behrens CBE is an ex officio Commissioner and the Parliamentary and Health Service Ombudsman (PHSO). The PHSO is not remunerated in respect of his statutory responsibilities as an LGSCO Commissioner.

Advisory Members

The current members are Deep Sagar, Chair of the Audit and Risk Assurance Committee, Professor Stephen Perkins, Chair of the Remuneration Committee and Carol Brady MBE. The memberships of Sir Jon Shortridge, the former Chair of the Audit and Risk Assurance Committee, and David Liggins, the former Chair of the Remuneration Committee, came to end in January 2018. Following an open recruitment campaign for Independent Advisory Members, Deep Sagar and Professor Stephen Perkins were appointed with their terms commencing in January 2018.

The members' remuneration consists of a day rate plus out of pocket expenses. No pension benefits are accrued. All members are obliged to give three months' notice to terminate their contract.

The remuneration paid to Advisory Members is based on the number of days to be worked, and determined by the Commission in agreement with the Ministry of Housing, Communities and Local Government (MHCLG).

Senior staff

The four senior staff in the Executive Team (excluding the Ombudsman) are full-time employees of the Commission.

Chief Executive

The Chief Executive has base pay analogous to Senior Civil Service Band 1 and in addition a London weighting based on the National Joint Council for Local Government (NJC) is paid. Movement up the pay band is by annual consolidated awards on base pay. The percentage increase is recommended by the Chair of the Commission to the Commission's independent Remuneration Committee based

on government pay policy, the Senior Salaries Review Body recommendations and individual performance. Performance-related bonus payments can also be awarded. These are non-consolidated but pensionable. These arrangements operate within the guidance provided by the MHCLG for pay for senior civil servants and the Ombudsman and Remuneration Committee will take full account of those requirements when reaching a decision on pay and bonus.

Directors

Like all staff below the Chief Executive officer, the two Directors are paid on the National Joint Council for Local Government (NJC) rates. Pay is negotiated by the NJC and the Commission implements the award subject to MHCLG approval.

In addition, they may be nominated for an Exceptional Contribution Award, like other staff.

Notice period

Senior staff contracts are open ended, with a 12-week notice period.

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

Name	Position	2017-18				2016-17			
		Salary £000	Benefits in kind (To nearest £100)	Pension Benefits £000	Total £000	Salary £000	Benefits in kind (To nearest £100)	Pension Benefits ⁶ £000	Total £000
Jane Martin ¹	Ombudsman & Chair					105-110	-	(252)	(145-140)
Michael King ²	Ombudsman & Chair	135-140	-	300	435-440	105-110	-	115	220-225
Nigel Ellis ³	Chief Executive	100-105	-	24	125-130	90-95	-	43	135-140
Paul Conroy ⁴	Director of Intake and Assessment	75-80	-	57	130-135	0-5	-	2	5-10
Karen Sykes ⁵	Director of investigation	65-70	-	68	130-135	-	-	-	-

Note: No bonuses were paid in 2016-17 and 2017-18

-
1. 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.
 2. In 2016-17, 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).
 3. In 2016-17, 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).
 4. Paul Conroy was appointed Director of Intake and Assessment on 20 March 2017 (2016-17 full time equivalent salary £75,395).
 5. Karen Sykes was appointed Director of Investigation on 1 April 2017 (2017-18 full time equivalent salary £72,397). Pensions benefits are the cumulative benefits to 31/3/18 and include benefits earned in the scheme before being appointed director
 6. 2016-17 pension benefits have been restated following a recalculation of CETV data at 31 March 2016 by pensions administrators.

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 ¹	CETV ¹	Real increase in CETV
	at 31/3/18	2017-18	at 31/3/18	at 31/3/17	2017-18
	£000	£000	£000	£000	£000
Michael King	65-70	12.5-15.0	945	697	212
	Lump sum 110-115	22.5-25.0			
Nigel Ellis	10-15	0-2.5	171	143	13
	Lump sum -	-			
Paul Conroy	20-25	2.5-5.0	275	227	34
	Lump sum 25-30	2.5-5.0			
Karen Sykes	25-30	2.5-5.0	343	291 ²	37
	Lump sum 40-45	2.5-5.0			

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.
2. Karen Sykes' CETV is at the appointment date on 01 April 2017.

Staff costs (audited by the Comptroller and Auditor General)

	2018	2018	2018	2017
	£000	£000	£000	£000
	Permanently employed staff	Others	Total	Total
Wages & salaries	6,620	-	6,620	6,483
Social security	740	-	740	712
Other pension costs ¹	901	12	913	920
	8,261	12	8,273	8,115
Temporary staff	-	63	63	68
Redundancy costs	-	-	-	-
	8,261	75	8,336	8,183
Indirect staffing costs ²	106	-	106	129
Total	8,367	75	8,442	8,312

1. This includes £12,121 (2016-17: £12,002) relating to pension payments to a retired Local Government Ombudsman and a surviving widow.
2. 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 2018, the Commission employed 166 FTE (excluding two part time agency workers and two temporary staff):

	Male	Female
Senior Civil Service equivalents	1	-
Directors	1	1
Employees	58	105
Total	60	106

	2018	2017
Average number of full time equivalent staff employed:		
Permanently employed	162	163
Other*	2	1
	164	164

*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 59.

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

There were no redundancies or departure costs in 2017-18 (2016-17 number 0, cost nil).

Redundancy and other departure costs are 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 £5,544.

Sickness absence data

During the year 1,169 working days were lost through sickness absence: 523 of which were due to long term sickness absence. This equates to 2.8% of working time lost (2016-17: 3.2%). This compares to a national average of 2.5% and a public sector average of 3.3% (as reported in the Chartered Institute of Personnel and Development Health and Wellbeing at Work report published in May 2018). There were no reportable trends in the period.

	2017-18	2016-17
Band of the highest paid individual total (£000)	135-140	135-140
Median total remuneration	42	41
Ratio	1:3.3	1:3.3

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

In 2017-18, no employees (2016-17: nil) received remuneration in excess of the highest-paid Commission member. Remuneration ranged from £20,058 to £140,000 (2016-17: £19,179 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 2017-18 was £135,000-£140,000 (2016-17: £135,000-£140,000). This was 3.3 times (2016-17: 3.3) the median remuneration of the workforce, which was £41,652 (2016-17: £41,239).

Gender Pay disclosures

LGSCO has voluntarily chosen to carry out Gender Pay Reporting under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

At 31 March 2018, there is a mean Gender Pay Gap of +9.1% but no median Gender Pay Gap between our male and female employees. The Mean Bonus Gender Pay Gap is -26.9% and the Median Bonus Gender Pay Gap is +47.4%.

	Male	Female
Proportion receiving bonus	16.7%	10.3%
Proportion in each quartile band		
- Upper	42%	58%
- Third	34%	66%
- Second	40%	60%
- Lower	23%	77%
Total	35%	65%

Trade Unions

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the information below is disclosed.

Seven employees were relevant union officials during the year (6.86 FTE) and spent time on facilities as follows:

Percentage of Time	Number
0%	1
1%-50%	6
51%-99%	-
100%	-

The total cost of facility time was £1,179 which represented 0.014% of the total pay bill (£8,242,000). There were no paid trade union activities.

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

The remuneration of the Advisory Members is as follows:

	2017-18	2016-17
	Total remuneration	Total remuneration
Carol Brady Advisory member	£5,079 (including £579 expenses)	£4,663 (including £788 expenses)
David Liggins Advisory member (left 15 January 2018)	£5,160 (including £993 expenses)	£6,051 (including £1,049 expenses)
Sir Jon Shortridge Advisory member (left 15 January 2018)	£4,118 (including £368 expenses)	£5,429 (including £429 expenses)
Prof. Stephen Perkins Advisory member (commenced 16 January 2018)	£2,459 (including £584 expenses)	-
Deep Sagar Advisory member (commenced 16 January 2018)	£2,534 (including £659 expenses)	-

Employment of People with Disabilities

LGSCO gives full and fair consideration to applications for employment made by people with disabilities. Candidates for employment or promotion are 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.

We aim to retain disabled people and those with health conditions for their skills and talent. We work to remove barriers to disabled people and those with long term health conditions to allow them to fulfil their potential. LGSCO has developed reasonable adjustment guidance so that managers are aware of their responsibilities for employees with disabilities or who become disabled.

Disabled employees are offered the same training and development opportunities as any other staff and adjustments are made to attend training as necessary.

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

During the year no losses or special payments were made (2016-17: £nil).

Contingent liabilities (audited by the Comptroller and Auditor General)

The Commission does not have any contingent liabilities.

Nigel Ellis
Accounting Officer & Chief
Executive
22 June 2018

Parliamentary Accountability & Audit Report

Independent Auditor's report

Opinion on financial statements

I have audited the financial statements of The Commission for Local Administration in England for the year ended 31 March 2018. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report and the Remuneration and Staff Report that are described as having been audited.

In my opinion:

- > the financial statements give a true and fair view of the state of the Commission's affairs as at 31 March 2018 and of 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 the Ministry for Housing, Communities and Local Government and the Government Financial Reporting Manual.

Opinion on regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Commission for Local Administration in England in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Commission and Accounting Officer for the financial statements

As explained more fully in the Statement of 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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- > identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission for Local Administration in England's internal control.
- > evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- > conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission for Local Administration in England's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- > evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Commission and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- > the parts of the Remuneration and Staff Report and the Accountability Report to be audited have been properly prepared in accordance with the Government Financial Reporting Manual; and
- > in the light of the knowledge and understanding of the Commission for Local Administration in England and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- > the information given in the Performance Report and 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 parts of the Remuneration and Staff Report and the 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

29 June 2018

Statement of Comprehensive Net Expenditure for the year ended 31 March

	Note	2018 £000	2017 £000
Operating income		(75)	(79)
Operating expenditure			
Staff costs	3.1	8,442	8,312
Pension loss/(gain)	3.2	1,755	1,007
Accommodation costs	4.1	739	833
Office expenses	4.2	400	362
Professional costs	4.3	365	345
Depreciation & amortisation	6 & 7	94	172
Meeting & travel costs		158	148
Total operating expenditure		11,953	11,179
Net operating expenditure		11,878	11,100
Net interest costs	5	856	893
Net expenditure for the year		12,734	11,993
Other comprehensive expenditure			
Items which will not be reclassified to net operating costs			
Pension fund actuarial loss/(gain)	12g	(9,842)	5,580
Total comprehensive expenditure		2,892	17,573

The notes on pages 74 to 91 form part of these accounts.

All activities are continuing.

Statement of Financial Position

as at 31 March

	Note	2018 £000	2017 £000
Assets			
Non current assets			
Plant & equipment	6	14	63
Intangible assets	7	66	96
Total non current assets		80	159
Current assets			
Trade & other receivables	8	312	191
Cash & cash equivalents	9	3,307	2,996
Total current assets		3,619	3,187
Total assets		3,699	3,346
Liabilities			
Current liabilities			
Trade & other payables	10	(1,268)	(939)
Provisions	11	(72)	(72)
Total current liabilities		(1,340)	(1,011)
Total assets less total current liabilities		2,359	2,335
Non current liabilities			
Pension scheme liability	12e	(25,181)	(32,405)
Total non current liabilities		(25,181)	(32,405)
Assets less liabilities		(22,822)	(30,070)
Taxpayers' equity			
General Fund		2,359	2,335
Pension Reserve		(25,181)	(32,405)
Total Taxpayers' Equity		(22,822)	(30,070)

The notes on pages 74 to 91 form part of these accounts.

Nigel Ellis
Accounting Officer
22 June 2018

Michael King
Chair
22 June 2018

Statement of Cash Flows

for the year ended 31 March

	Note	2018 £000	2017 £000
Cash flows from operating activities			
Net expenditure for the year		(12,734)	(11,993)
Adjustments for:			
Depreciation & amortisation	6 & 7	94	172
Loss on sale of non current assets	4.2	-	-
Finance costs/(income)	5	(7)	(12)
(Increase)/decrease in trade & other receivables	8	(121)	(22)
Increase/(decrease) in trade & other payables	10	329	(85)
Increase/(decrease) in provisions	11	-	72
Non-cash pension charge/(credit) included in net expenditure for the year		2,618	1,912
Net cash outflow from operating activities		(9,821)	(9,956)
Cash flows from investing activities			
Purchase of plant & equipment	6	-	-
Purchase of intangible non current assets	7	(15)	(44)
Interest received	5	7	12
Net cash outflow from investing activities		(8)	(32)
Cash flows from financing activities			
Receipts of Grant-in-Aid financing	2	10,140	10,070
Net cash inflow from financing activities		10,140	10,070
Net increase/(decrease) in cash & cash equivalents		311	82
Cash & cash equivalents at beginning of period		2,996	2,914
Cash & cash equivalents at end of period	9	3,307	2,996

The notes on pages 74 to 91 form part of these accounts.

Statement of Changes in Taxpayers' Equity

	Note	General Fund	Pension Reserve	Total Taxpayers' Equity
		£000	£000	£000
Balance at 31 March 2016		2,346	(24,913)	(22,567)
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)	-
Balance at 31 March 2017		2,335	(32,405)	(30,070)
Grant-in-aid financing	2	10,140	-	10,140
Total comprehensive expenditure for the year		(12,734)	9,842	(2,892)
Transfers between reserves in respect of pension fund costs		2,618	(2,618)	-
Balance at 31 March 2018		2,359	(25,181)	(22,822)

The notes on pages 74 to 91 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 Ministry for Housing, 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 35.

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 2017-18 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 values 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 Ministry for Housing, Communities and Local Government (MHCLG). 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 2018 shows net liabilities of £23m. This reflects the inclusion of liabilities falling due in future years which, insofar as the Commission is unable to meet them from its other sources of income, would fall, in the last resort, to be met by central Government. Under the normal conventions applying to Parliamentary control over income and expenditure, such funding may not be issued in advance of need, but there is no reason to believe that, if required, funding and Parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for these Financial Statements.

On 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 does not appear there is any realistic opportunity for the Bill to be considered by Parliament before 2019. Even then, the operational integration of the LGSCO and PHSO schemes would take at least a further 18 months, during which time LGSCO would need to continue to function as a standalone body operating its own jurisdiction.

Given this context, we are satisfied that these proposals do not give rise to a material uncertainty around the going concern status of LGSCO 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. An assessment has been undertaken and neither are expected to have an 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 the 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 £10,140,000 from the Ministry for Housing, Communities and Local Government (MHCLG) in 2017-18 (2016-17: £10,070,000). Grant-in-Aid is accounted for in the Statement of Changes in Taxpayers' Equity, as discussed in note 1.4.

	2018 £000	2017 £000
MHCLG	10,140	10,070
DfE	-	-
Total	10,140	10,070

Represented by:	2018 £000	2017 £000
Revenue	10,110	10,023
Capital	30	47
Total	10,140	10,070

3.1 Staff costs

	2018 £000	2017 £000
	Total	Total
Wages & salaries	6,620	6,483
Social security	740	712
Other pension costs*	913	920
	8,273	8,115
Temporary staff	63	68
	8,336	8,183
Indirect staffing costs**	106	129
Total	8,442	8,312

Analysis of Commissioners'/ Senior managements' salaries can be found on page 59 in the Remuneration and Staff report.

* This includes £12,121 (2016-17: £12,002) relating to pension payments to a retired Local Government Ombudsman and a surviving widow. In 2017-18, Employer Pension Contributions were comprised of a variable element equal to 13.8% of pensionable salary (2016-17: 14.6%). 2017-18 was the first year of a new three year schedule of contributions defined by the scheme's actuary.

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

3.2 Pension loss/(gain)

	2018 £000	2017 £000
Current service costs	2,573	1,839
Past service costs, including curtailments	-	-
Administration expenses	95	79
Contributions by the employer*	(913)	(911)
Total	1,755	1,007

* The cost of the contributions by the employer are included in other pension costs in note 3.1

3.3 Reporting of compensation schemes - exit packages

The reporting of compensation schemes - exit packages can be found on page 63 in the Remuneration and Staff Report.

3.4 Staff numbers

Information about staff numbers can be found on page 62 in the Remuneration and Staff Report.

4. Operating expenditure

4.1 Accommodation costs

	2018 £000	2017 £000
Rent & rates	733	754
Other expenses	-	1
Utilities	-	(9)
Repairs & maintenance	1	1
Provision for repairs	-	72
Health & safety	5	14
	739	833

Rent costs in 2017-18 include ongoing costs incurred under three different Memorandum of Terms of Occupation (MOTO) at MHCLG offices in London, at DfE offices in Coventry and at DEFRA offices in York.

Flood damage occurred at the York office in 2016 and a provision of £72,000 has been provided for the estimated share of the landlord's repair costs.

4.2 Office expenses

	2018 £000	2017 £000
Computers & telephone	325	286
Insurance & other office expenses	48	41
Loss on sale of non current assets	-	-
Furniture & equipment rental	11	15
Postage & stationery	16	20
	400	362

4.3 Professional costs

	2018 £000	2017 £000
Legal & litigation	189	182
External audit	31	30
Internal audit	21	21
Commission fees	16	14
Professional fees & subscriptions	49	57
Publicity & research	59	41
	365	345

No remuneration was paid to the external auditors for non audit work in 2017-18 (2016-17: nil).

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

4.4 Amounts paid under operating leases

	2018 £000	2017 £000
Buildings	734	754
Other	4	5
	738	759

5. Net interest costs

	Note	2018 £000	2017 £000
Interest on pension fund assets	12i	1,956	2,238
Interest on pension fund liabilities	12h	(2,819)	(3,143)
Bank deposit interest		7	12
		(856)	(893)

6. Plant and Equipment

	Furniture & fittings £000	Information technology £000	Total £000
Cost			
At 01 April 2017	63	260	323
Additions	-	-	-
Disposals	-	(31)	(31)
At 31 March 2018	63	229	292
Depreciation			
At 01 April 2017	55	205	260
Provided during the year	8	41	49
Disposals	-	(31)	(31)
At 31 March 2018	63	215	278
Cost			
At 01 April 2016	63	324	387
Additions	-	-	-
Disposals	-	(64)	(64)
At 31 March 2017	63	260	323
Depreciation			
At 01 April 2016	23	223	246
Provided during the year	32	46	78
Disposals	-	(64)	(64)
At 31 March 2017	55	205	260
Net Book Value			
At 31 March 2017	8	55	63
At 31 March 2018	-	14	14

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

7. Intangible assets

	Total £000
Cost	
At 01 April 2017	1,137
Additions	15
Disposals	(78)
Cost at 31 March 2018	1,074
Amortisation	
At 01 April 2017	1,041
Provided during the year	45
Disposals	(78)
Cost at 31 March 2018	1,008
Cost	
At 01 April 2016	1,093
Additions*	44
Disposals	-
Cost at 31 March 2017	1,137
Amortisation	
At 01 April 2016	947
Provided during the year	94
Disposals	-
At 31 March 2017	1,041
Net Book Value	
At 31 March 2017	96
At 31 March 2018	66

* 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

	2018 £000	2017 £000
Trade receivables	111	6
Deposits & advances**	22	30
VAT receivable	39	58
Prepayments	140	97
	312	191

** Deposits and advances includes staff loans for rail travel - £14,259 (2016-17: £12,485) and travel advances - £7,100 (2016-17: £15,600).

9. Cash and cash equivalents

	2018	2017
	£000	£000
Cash at bank and in hand	3,307	2,996

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 73).

The Commission requires approval from MHCLG to utilise this fund.

10. Trade and other payables

Current Trade and other payables		
	2018	2017
	£000	£000
Trade payables	241	29
Other payables	320	310
Accruals & deferred income	707	600
	1,268	939

11. Provisions

	2018	2017
	£000	£000
Balance at 01 April	72	-
Utilised	-	-
Provided in year	-	72
Written back	-	-
Balance at 31 March	72	72

	2018	2017
	£000	£000
Balance at 31 March		
Current	72	72
Non current	-	-
	72	72

The Commission has no potential dilapidation liabilities associated with its estates portfolio at 31 March 2018. The Commission 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 in 2016 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 (LGSCO) 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 13.76% of pensionable remuneration (2016-17: 14.6%). The total paid was £907,221 during 2017-18 (2016-17: £916,481). There were no payments in respect of curtailments and settlements arising from redundancies made in the year (2016-17: nil). 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 subsequently confirmed that 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 2017-18 and the next two 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 Minister for

Housing, 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 2017-18 amounting to £12,121 (2016-17: £12,002).

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

12.6 Disclosures as required by IAS 19 are below.

The tables and notes below were provided by the 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 2017-18 for the scheme.

- > 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.

a. Financial assumptions

Year ended:	31 March 2018 %pa	31 March 2017 % pa
Inflation/pension increase (RPI)	3.3	3.6
Inflation/pension increase (CPI)	2.3	2.7
Salary increase rate	3.8	4.2
Pension increases	2.3	2.7
Discount rate	2.55	2.7

b. Demographic assumptions

Life expectancy in years from age 65	2018	2017
Retiring today - males	22.3	22.2
Retiring today - females	24.9	24.8
Retiring in 20 years - males	24.6	24.5
Retiring in 20 years - females	27.2	27.0

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;

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 2018 %	31 March 2017 %
Equities	61	59
Target return funds	23	21
Infrastructure	4	5
Property	7	5
Cash	5	10
Total	100	100

d. Fair value of employer assets - Commission share

	31 March 2018 £000	31 March 2017 £000
Equities	46,440	43,305
Target return funds	17,021	15,443
Infrastructure	3,322	3,848
Property	5,465	3,726
Cash	3,700	6,762
Total	75,948	73,084

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2018 is estimated to be 6%. 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%.

In 2017-18 the deficit has decreased from £32,405,000 to £25,181,000. The main factor in driving this movement is the change in the financial assumptions which decreased the present value of scheme liabilities by £4,957,000 (see note 12g).

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 2018 on this basis the fund has a surplus of approximately £13.9m (2016-17: £1.4m)

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

e. Amounts recognised in the Statement of Financial Position

Year ended	Note	31 March 2018 £000	31 March 2017 £000
Fair value of employer assets	12d & 12i	75,948	73,084
Present value of funded obligation	12h	(101,129)	(105,489)
Net (liability)		(25,181)	(32,405)

f. Amounts charged in the Statement of Comprehensive Net Expenditure

Year ended	31 March 2018 £000	31 March 2017 £000
Service cost*	2,573	1,839
Net interest on the defined liability (asset)	863	905
Administration expenses	95	79
Total	3,531	2,823

* 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 2018	31 March 2017
		£000	£000
Return on plan assets in excess of interest	12i	2,081	10,192
Other actuarial gains/ (losses) on assets	12i	223	637
Changes in financial assumptions	12h	4,957	(19,645)
Changes in demographic assumptions	12h	-	891
Experience gain/ (loss) on defined benefit obligation	12h	2,581	2,345
Pension fund actuarial (loss)/gain		9,842	(5,580)

Changes to the financial assumptions have decreased the present value of scheme liabilities by £4,957,000 at 31 March 2018 (31 March 2017: increase in liabilities of £19,645,000).

h. Reconciliation of defined benefit obligation - Commission share		
Year ended	31 March 2018	31 March 2017
	£000	£000
Opening defined benefit obligation	105,489	85,765
Current service cost	2,573	1,839
Interest cost	2,819	3,143
Change in financial assumptions	(4,957)	19,645
Change in demographic assumptions	-	(891)
Experience loss/(gain) on defined benefit obligation	(2,581)	(2,345)
Estimated benefits paid	(2,708)	(2,159)
Past service costs, including curtailments	-	-
Contributions by members	494	492
Closing defined benefit obligation	101,129	105,489

i. Reconciliation of fair value of employer assets - CLAE share		
Year ended	31 March 2018	31 March 2017
	£000	£000
Opening fair value of employer assets	73,084	60,852
Interest on assets	1,956	2,238
Return on assets less interest	2,081	10,192
Other actuarial gains/ (losses)	223	637
Administration expenses	(95)	(79)
Contributions by the employer	913	911
Contributions by members	494	492
Estimated benefits paid	(2,708)	(2,159)
Closing fair value of employer assets	75,948	73,084

j. Sensitivity analysis			
	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation	99,106	101,129	103,196
Projected service cost	2,516	2,581	2,648
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	101,317	101,129	100,942
Projected service cost	2,581	2,581	2,581
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	103,011	101,129	99,286
Projected service cost	2,648	2,581	2,516
Adjustment to life expectancy assumption	+1 year	None	-1 year
Present value of defined benefit obligation	105,059	101,129	97,351
Projected service cost	2,663	2,581	2,501

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 2019

Projections for the year to 31 March 2019

	£000
Service cost	2,581
Net interest on the defined liability	631
Administration expenses	99
Total	3,311
Employer contributions	922

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 2018-19 are £922,000 (2017-18: £906,000).

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, £39,338 is due from HMRC (2017: £57,995). A further amount of £21,637 is due from current employees of the Commission and is to be collected through regular payroll deductions (2017: £30,145). 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.

	2018	2017
	£000	£000
Value of interest yielding deposits at 31 March	3,307	2,996
Income effect of a 1% increase in interest rates	33	30
Income effect of a 1% decrease in interest rates	(33)	(30)

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 £3,306,564 (2016: £2,995,281). 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 2018	31 March 2017
	£000	£000
Buildings - amounts payable:		
Not later than one year	359	320
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	359	320
Other - amounts payable:		
Not later than one year	2	3
Later than one year and not later than five years	-	2
Later than five years	-	-
Total	2	5

14.2. Description of significant lease arrangements

During 2017-18, the Commission occupied three premises within the Government estate, each under a Memorandum of Terms of Occupation (MOTO). All MOTOs have gone past their initial expiry date. The MOTO for the York office has a 12 month notice period, for Coventry, the notice period is six months, while the London office is three months.

15. Capital Commitments

The Commission was contractually committed to £nil of expenditure on non-current assets at 31 March 2018 (2016-17: £4,875).

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 MHCLG and MHCLG is regarded as a related party. During the year, the Commission received Grant-in-Aid from MHCLG. Note 2 discloses the amounts. The Commission occupies premises in London where MHCLG 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 member, Michael King is also a Board member at PHSO and Rob Behrens CBE, the PHSO, is an ex-officio member of the Commission. PHSO is regarded as a related party. There have been no financial transactions with PHSO in 2017-18

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.

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 member 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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