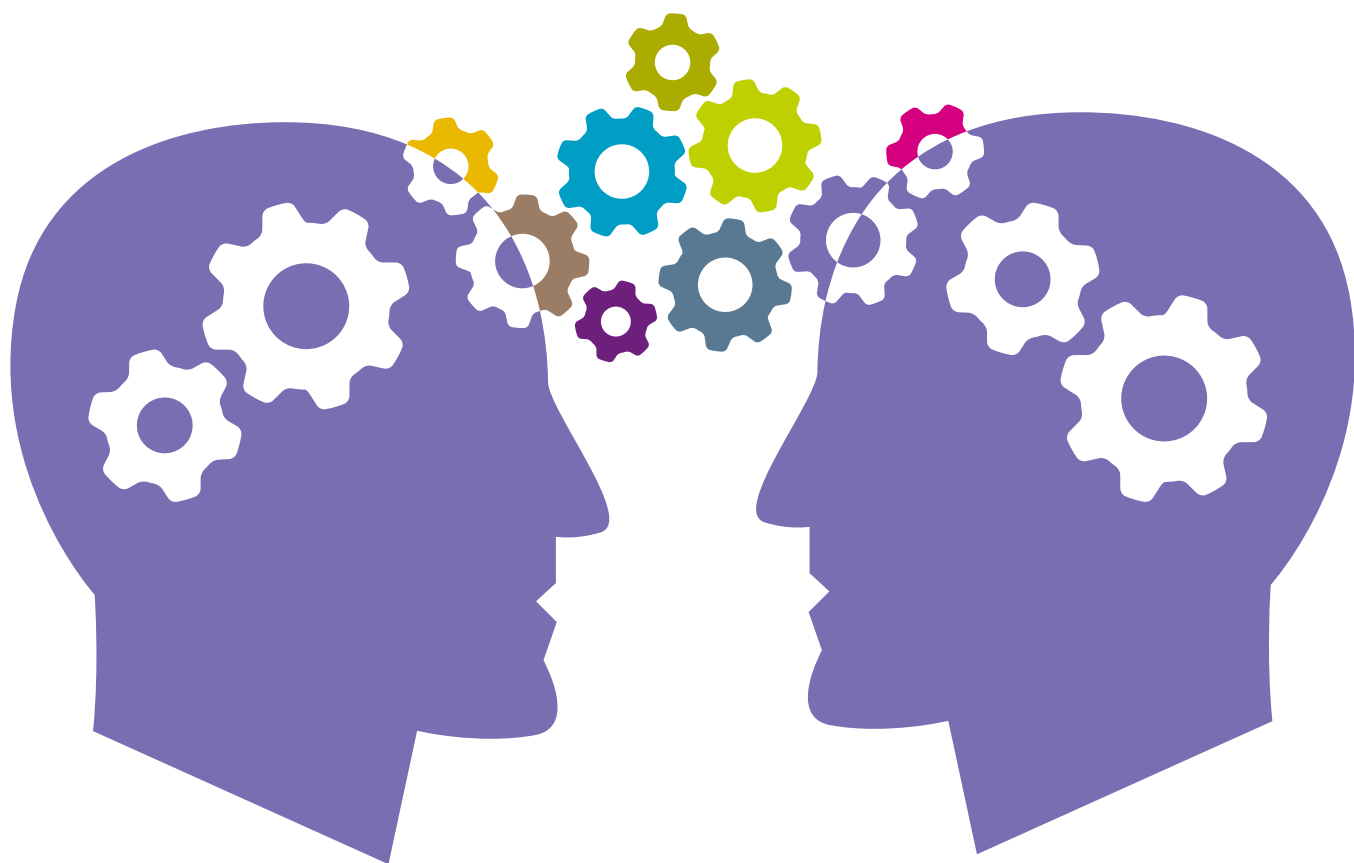


Local Government &  
Social Care  
**OMBUDSMAN**

Commission for Local  
Administration in England

***Sharing the learning***



***Annual report and accounts***  
**2018-19**



# Commission for Local Administration in England

## **Local Government and Social Care Ombudsman**

### Annual Report & Accounts 2018-19

(for the year ended 31 March 2019)

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

Annual Report presented to Parliament pursuant to Section 23A(3A) of the Local Government Act 1974 as amended by Section 170(1)(5) of the Local Government and Public Involvement in Health Act 2007; and pursuant to Section 34S(5) of the Local Government Act 1974 as amended by Section 35 of the Health Act 2009

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

Ordered by the House of Commons to be printed in July 2019

**HC2241**



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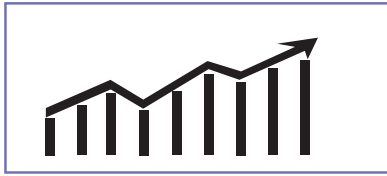
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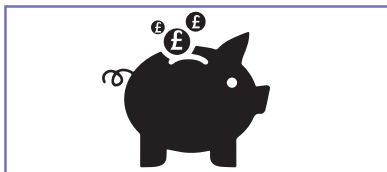
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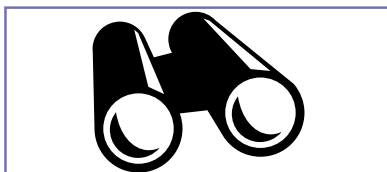
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# Foreword



I am pleased to present the Annual Report and Accounts for the Commission for Local Administration in England (also known as the Local Government and Social Care Ombudsman) for the year ended 31 March 2019.

This year we have again performed strongly against our objectives. In particular, I welcome the increased amount of work we have done to share the lessons from our investigations to help councils and care providers improve their services. This has rightly been a focus for us this year. If we simply go around fixing peoples' problems one by one, service providers do not get the most value from our work and they miss opportunities to make improvements. Our latest survey results show many councils welcome our reports and use them to drive forward change, so I want to encourage even more of this proactive behaviour towards complaints.

Too often, the discussions around complaints centre on the simplistic notion of numbers received. So I'm pleased we will soon launch our interactive map publishing more information about the nature of, and compliance with, our recommendations to remedy injustice. This is another important learning tool to add to the resources we already provide, and we are

proud to be the first UK ombudsman scheme to publish such an extent of data on the impact of our investigations.

Our public interest reports are the backbone of our work to share learning, and this year we continued to issue them weekly. Some gained national attention. For example, the widely reported problems around council services for people with Special Education Needs and Disabilities (SEND) was a debate to which we could contribute crucial insight from people experiencing these services first hand.

We published numerous reports of children and young adults missing out on the education they're entitled to, because of serious delays in councils completing Education, Health and Care plans. We are seeing a worrying rise in the number of investigations that warrant a public interest report in this area.

***“By the nature of what we do, our reports often throw a light on examples of the worst failings. Despite that, councils on the whole deserve credit for working constructively with us to remedy injustices and learn.”***

We gave evidence to the Housing, Communities and Local Government Select Committee for its inquiry into children's services, using our insight from SEND investigations. I welcome the increasing opportunities we are getting to share our findings on other similar platforms with parliamentarians and policy makers.

By the nature of what we do, our reports often throw a light on examples of the worst failings. Despite that, councils on the whole deserve credit for working constructively with us to remedy injustices and learn.



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One of our SEND cases, for example, was a key factor in a council's decision to inject significant resources into local services. Another example was a council agreeing to our recommendations to pay all the Special Guardians on its books the correct allowances, and rightly backdating them to recognise what hundreds of people had missed out on. We know the financial cost for this was considerable.

I'm fully aware the last decade has been one of the most challenging for local authorities. So I was pleased to publish a thematic report looking at the impact on our complaints of the huge changes councils have gone through in response to these pressures.

This is the most extensively researched report we have done, based on some 40 real case examples showing systemic problems linked to service change. There is much learning to be had here, and my key message to councils is to not throw out the rule book, even when working under such unprecedented conditions.

That report is a good example of how the complaints we investigate are becoming increasingly complex. With more of the clear-cut problems often resolved before coming to us, we are seeing more cases showing underlying problems with systems, policies and the way procedures are being applied.

This is no more true than in adult social care. Beside the backdrop of an aging population and reductions in council funding, factors such as new delivery models, commissioning arrangements, and integration with health services are requiring us frequently to invest more time in getting to the root causes of fault.

The impact on our organisation is twofold. It is becoming increasingly challenging to meet our targets for the speed of decisions. While we managed to meet or exceed them this year, the

level of unallocated cases we are currently working with is more than we would like, and remains difficult to reduce. The other impact is the pressure on our staff, and we have started work in our business plan, to foster a collective approach to staff well-being and encourage teams to express their views and needs in this area.

Given the limited resources we work with, we offer excellent value to the public purse. In fact, the Minister for Local Government, Rishi Sunak MP, talking at the Select Committee session on our proposals to strengthen local redress systems, commented we are "probably the most efficient ombudsman in the United Kingdom."

But in having such a lean operation, we are also working at, and beyond, the margins of our capacity. The current landscape offers a stark reminder that we remain susceptible to changing levels of incoming complaints. It would be disappointing to be unable to maintain the same quality of service and continue to share as much learning from our cases, because of a lack of resources.

As always, I leave the final thanks to our staff. It is the commitment and skill of everyone working for us that enables me to present such a positive picture of performance in 2018-19.



**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 (LGSCO) is the final stage for complaints about councils, all adult social care providers (including care homes and home care agencies) and some other organisations providing local public services. We are a free service.

We help to make sure these organisations are accountable, by ensuring they put things right for service users when things have gone wrong. This might be where a local authority has failed to provide the level of service the public can rightly expect to receive, or where it has not acted properly in carrying out its functions.

Our remit provides a one-stop-shop for complaints about adult social care, including both publicly and privately funded services. This means the public 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 people 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 rest assured 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.

# 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.

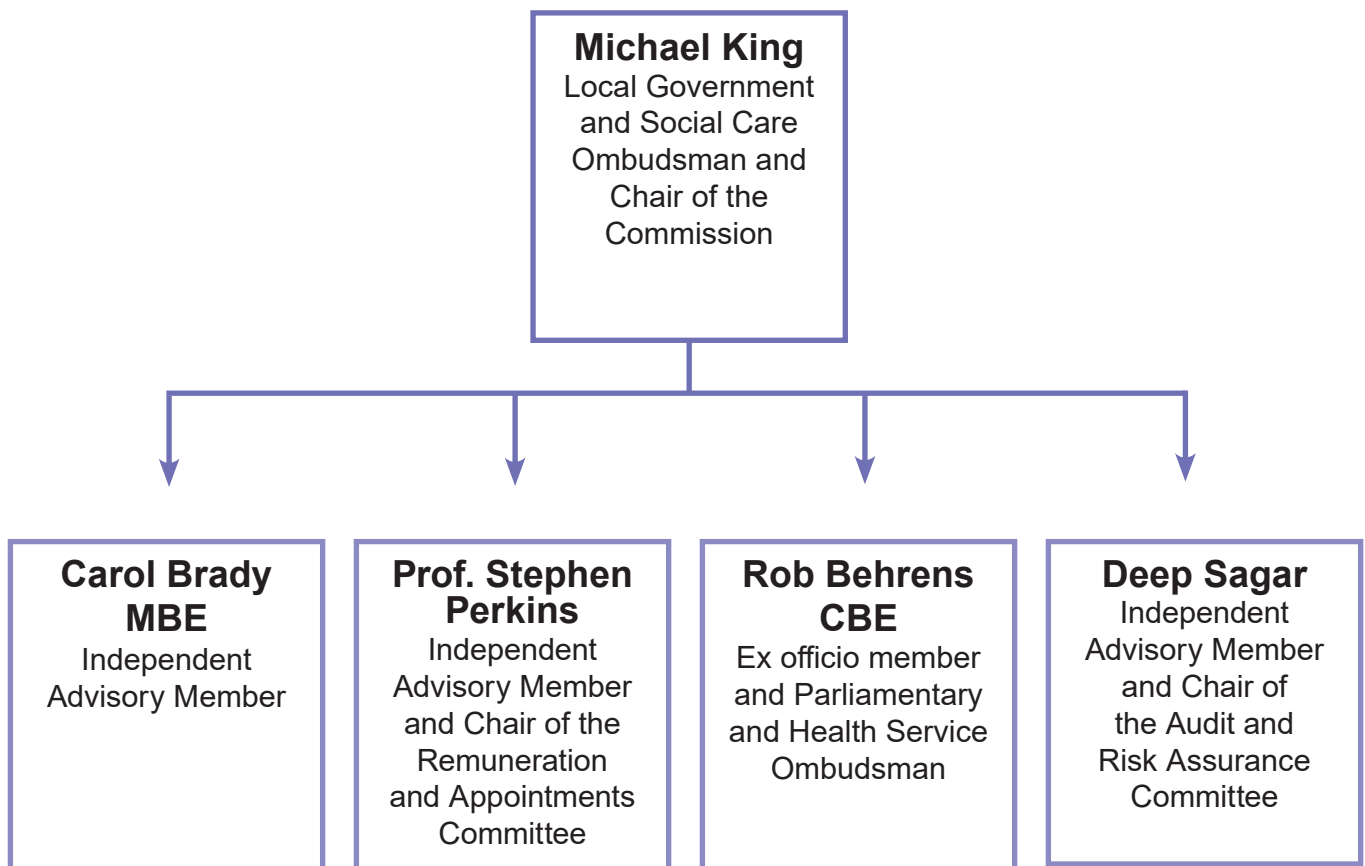


## How we investigate

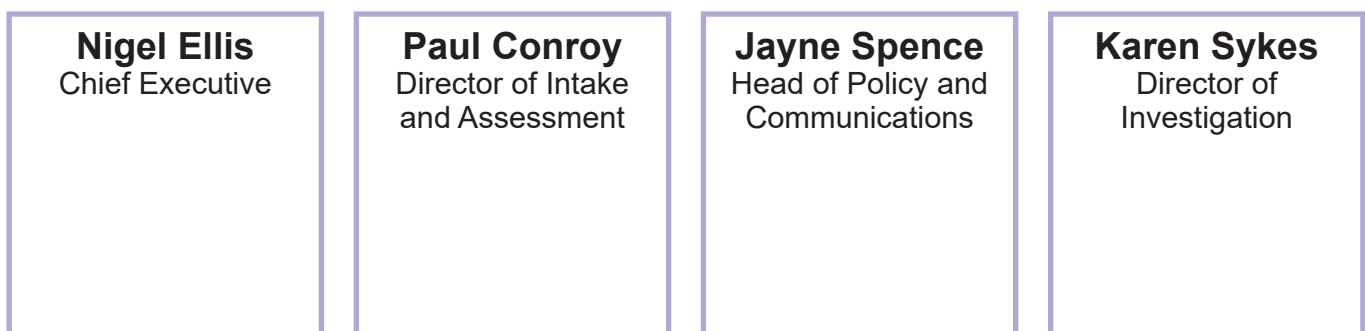
		
<b>Step 1</b> Initial Check	<b>Step 2</b> Initial investigation (assessment)	<b>Step 3</b> Detailed investigation
<p>We carry out some basic checks, like whether:</p> <ul style="list-style-type: none"> <li>! the council or care provider has had the chance to consider the complaint</li> <li>! it looks like we might be the right people to help at this stage</li> </ul>	<p>We decide whether to investigate the complaint by checking if:</p> <ul style="list-style-type: none"> <li>! the issue is something the law allows us to look into and;</li> <li>! there is good reason for us to formally investigate</li> </ul>	<p>We make a decision on whether the organisation was at fault by:</p> <ul style="list-style-type: none"> <li>! investigating what happened, and what should have happened, according to the laws and policies in place at the time</li> <li>! making recommendations to put things right if necessary</li> </ul>

# Membership of the Commission

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## The Executive Team



# Key numbers 2018-19



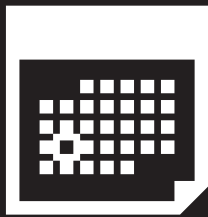
**5**

**select committee inquiries  
to which we gave evidence**



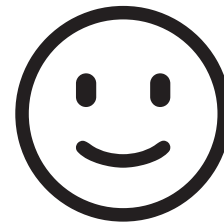
**50**

**reports and guidance  
published**



**78%**

**cases completed within  
three months**



**1,000+**

**people trained in good  
complaint handling**



**99.4%**

**of our  
recommendations  
implemented**



**1,241**

**recommendations made  
to improve services for  
the wider public**

# Chief Executive's performance report

---

## Performance Overview

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

### **Strategic Objective 1: our service is easy to find and easy to use**

We exceeded or met our time targets for the speed of our investigations: 78% of investigations were completed within 13 weeks (against a target of 65%); 90% of investigations were completed within 26 weeks (against a target of 85%); and 99% of investigations were completed within 52 weeks (against a target of 99%). This means more than three quarters of our cases are completed within three months.

We made some headway in reducing the number of cases waiting to be allocated at the investigation stage of our process. But the corresponding increase in unallocated cases at the assessment stage contributed to us not meeting our aspirational target of making all assessment decisions within 20 working days. On average we took 31.8 days.

Our customer satisfaction survey results remained in line with the previous year's, broadly meeting our targets. This year we saw a welcome slight uplift in the proportion of people remaining neutral or satisfied with the service they received, even if they disagreed with the outcome of their complaint. Acting on feedback, we also created a new board to oversee our written communications with people using the service, in an effort to explain our processes more clearly and consistently.

We received more complaints about our service this year. This has been partially attributed to us developing a more accurate process for recording these cases. Despite the uplift, there was a similarly small percentage of cases in

which we acknowledged we could have done something better.

### **Strategic Objective 2: we remedy injustice through impartial, fair and rigorous investigations**

The vast majority of our decision statements met our key standard for being reasonable and defensible. In the three review exercises carried out, the results ranged between 89% and 95%.

We saw a slight increase in the amount of people asking for us to review their decision (752) but in only 5% of cases (39 in number) did we apologise and for it not being up to the standards we expect to provide.

We found councils and care providers implemented 99.4% of our recommendations. There was only one instance of issuing a formal notice of non-compliance with our recommendations, which was against a care provider.

### **Strategic Objective 3: we use what we learn from complaints to help improve local services**

We published three Focus Reports on important topics from our casework, including a report, drawing on more than 40 case studies, about the impact on our complaints from the way local government has changed in response to budget pressures. We also published three guidance documents aimed at practitioners.

We were invited to give evidence to five different parliamentary inquiries, including the Housing, Communities and Local Government Select Committee's dedicated session about our suggestions for improving local redress systems.

---

We continued with an expanded programme, established in the previous year, of public interest reports to help share the lessons from our complaints. We published 44 reports with some achieving widespread national attention. The media coverage of our published investigation decisions increased significantly thanks to our weekly newsletters highlighting the most recent cases.

We undertook considerable preparatory work to launch a new graphical interface in 2019-20 which will publish more intelligence about the impact of our recommendations and assist councils in learning.

Our effective complaint handling training courses continue to increase in popularity, and we trained more than 1,000 council and care provider staff this year.

Our annual surveys of councils and care providers demonstrated our casework is used effectively to support learning and improvement of services. More than 50% of councils who responded say they use our focus reports and annual reviews to review their practices.

### **Strategic Objective 4: we are accountable to the public and use our resources efficiently**

We managed our finances effectively, and operated sound controls, meaning we spent within budget and continued to offer good value to the public purse.

Our IT systems remained secure against security breaches and downtime was limited to levels of normal tolerance. We carried out improvement work to our network with new server systems.

Our accounts have been prepared on a going concern basis.

### **Managing Risk**

The Executive Team leads how we monitor and mitigate against risks that impact our ability to meet our strategic objectives. This is overseen by the Commission and the Audit and Risk Assurance Committee.

Using a Red/ Amber/ Green system, four of our seven strategic risks were deemed to be managed well, and marked as green at the close of the year. The only risk marked red, was around the relatively high number of cases waiting to be allocated an investigator. Despite a focused effort, it has not been possible to reduce the amount with the resources currently available to us.

The two strategic risks marked as amber were about having the resources available to do our job, as touched on above, and the challenges in working with combined authorities and managing complaints spanning both health and social care.

## Contextual data: Casework trends

We closely monitor the amount and composition of complaints and enquiries we receive, and investigate. They are not measures of performance and we include them here for contextual purposes.

### Complaints and enquiries dealt with in 2018-19





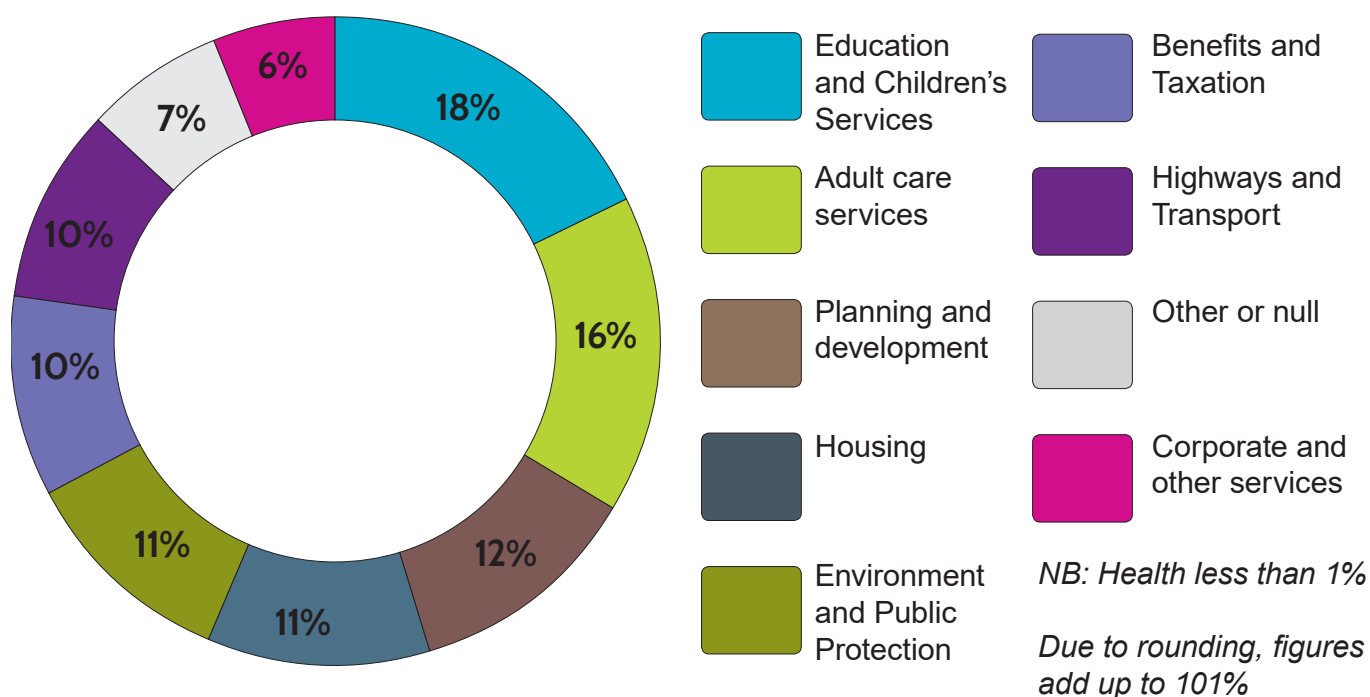
# Strategic Objective 1:

our service is easy to find and easy to use

## Comparisons with the previous year

Measure	2018-19	2017-18	Change
Complaints and enquiries received	18,896	19,215	2% ↓↓
Decisions made	18,482	18,822	2% ↓↓
Cases dealt with by an investigation	4,458	4,331	3% ↑↑
Uphold rate for investigations	58%	57%	1% ↑↑

## Composition of complaints and enquiries received in 2018-19



The composition of our complaints and enquiries remained very similar to the previous year. The main difference was that complaints and enquiries received about Highways and Transport became a smaller proportion of our total caseload (from 12% to 10%).

## Uphold rates for complaint types

The area of work where we upheld the highest proportion of detailed investigations is Benefits and Tax (69%), followed by Adult Social Care (66%), and Education and Children's Services (65%). We upheld the lowest proportion of detailed investigations in Planning and Development (37%).

## How we measure our performance

We look at:

- > The speed of our investigations, based on casework management system reports
- > Results from our customer surveys on satisfaction with our service
- > The outcomes from complaints about our service

### Speed of Investigations

The graphic below shows we performed strongly in meeting our targets for the overall speed of our investigations, particularly in the proportion of cases completed in 13 and 26 weeks. We complete more than three quarters of cases in three months. Our Intake Team also processed more than 99% of incoming complaints and enquiries in 24 hours.

Cases completed by	Target	Actual	Performance
13 weeks	65%	78%	Exceeded
26 weeks	85%	90%	Exceeded
52 weeks	99%	99%	Met

We also have a target for the amount of ongoing cases older than 52 weeks open at any given time. At the end of the year this was at 72 cases, against a target of 60.

This year we focused our efforts on reducing the time for complaints to be allocated to an investigator. We had partial success in this area, by moving the bulk of this time to an earlier point in our investigation process, which is better for people using our service. However, the overall time is still longer than we would like it to be.

After making our initial checks when complaints first come into us, this year we took 31.8 days, on average, to make enquiries and decide if we were going to investigate someone's complaint in more detail (an assessment decision). This length of time is good compared to typical timescales in the Ombudsman sector, however we aspire to an intentionally challenging target of completing all assessment investigations within 20 working days. Finding a way to reduce the number of unallocated complaints we have at any given period would help us to achieve this.

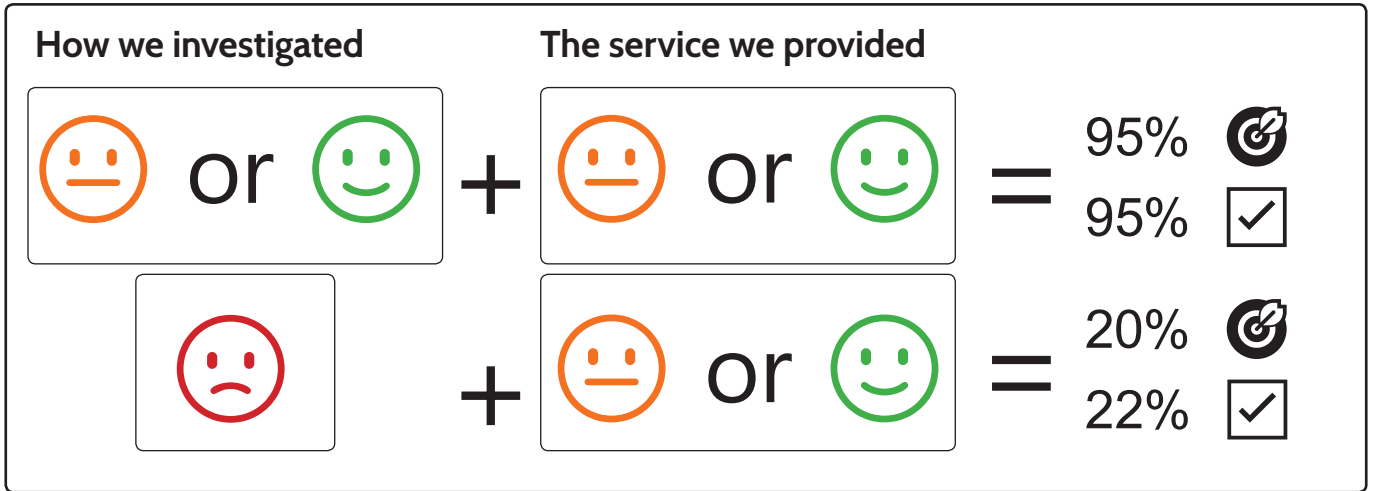
### Customer satisfaction with our service

In the ombudsman sector, the level to which customers are satisfied with the service they receive is strongly linked to how satisfied they are with the outcome of their complaint. To objectively assess satisfaction with our service, regardless of the outcome, we set different targets based on whether a complainant says they are satisfied or dissatisfied with the outcome of their complaint. This year we met or exceeded both measures (see chart overleaf).

# Strategic Objective 1:

our service is easy to find and easy to use

## Customer satisfaction survey results



### Reviewing our written communications

This year we set up an Editorial Board to act on feedback from people who use our service – through our satisfaction survey and our advisory forum – who tell us one area we could improve, is how we explain our investigation process.

The board has oversight of all written communication touch points with complainants and bodies in jurisdiction, and has the authority to shape the way we explain our process. It looks at documents from the perspective of the customer. Its key aims are to provide only the information required at that point in the process; ensure consistency with other documents; and use an empathic tone, without compromising neutrality. While not influencing the outcome of any complaints, it hopes to make using our service clearer and more satisfying for people.

To date, the board has reviewed many of the key letters and fact sheets used in the typical customer journey through our process. To ensure what we say remains consistent, we will issue them for staff use in one batch, which will happen in the early part of 2019-20.

### Complaints about our service

We received 235 complaints about our service in 2018-19. In 74 of these cases, we acknowledged we could have done something better and apologised. This compares with 165 complaints about our service received, and 45 upheld, in the previous year.

The increase is partially attributed to improved recording practice this year. In addition, while the overall number has increased, the proportion in which we acknowledged we could have done something better is similar in percentage terms (31% in 2018-19, 27% in 2017-18).

Our External Reviewer independently reviews a sample of complaints about our service (see page 52 for more details). This year he highlighted no significant areas of concern, and only recommended some minor procedural improvements limited to the individual cases reviewed.

There were no rulings from the Information Commissioner's Office that required us to take action over a data loss.

## Strategic Objective 2: we remedy injustice through impartial, fair and rigorous investigations

---

### How we measure our performance

We look at:

- > The quality of our decision statements, based on management reviews
- > Results from our customer surveys on satisfaction with our decisions
- > The outcomes from requests to review our decisions
- > How we achieve remedies to our satisfaction

#### 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 2018-19, most of our decisions met our key standard for being reasonable and defensible. In the three reviews carried out results ranged between 89% and 95%. This standard demonstrates we have come to a sound decision in these cases.

Against our intentionally more challenging target, of whether the statement meets every one of our written standards, the majority (between 74% and 77%) of sampled decisions did. This tougher benchmark is for identifying areas to improve and, as such, measures factors like whether a statement follows our prescribed structure, meets internal guidance, and excludes superfluous detail.

#### Review requests

We will review someone's decision if they show it was based on inaccurate facts or new evidence has arisen that would have affected what we decided. We always give people the opportunity to comment on a draft decision, so the number of review requests we receive is relatively small.

In 2018-19 we received 752 requests to review our decisions. This is an increase from the previous year's number of 698. We found our decision was not up to the expected standard in only 39 cases (just 5% of all review requests), and we apologised and did further work to bring them up to standard. This may include revising the wording of statements or carrying out further investigative work, but only in very rare circumstances will it result in us coming to a substantially different decision than we did previously. Reviews of decisions are carried out by a senior manager unconnected with the case.

## Strategic Objective 2:

we remedy injustice through impartial, fair and rigorous investigations

---

### Achieving Remedy

Our powers, to make recommendations to remedy injustice, recognise the democratic accountability of locally elected councillors. Councils and care providers are not legally bound to implement our recommendations, but they almost always do. Following our investigations we ask the bodies concerned for confirmation and evidence of actions taken. This year, 99.4% of our recommendations were implemented.

In the rare scenario that a council or care provider formally decides not to implement a recommendation, we will hold them accountable through a public report. The final stage of the process is the body publishing a statement explaining why they have chosen not to comply.

There was only one such instance this year, where we published an Adverse Findings Notice against a care provider – Corden Assist Ltd, trading as Bluebird Care (Wandsworth) – which refused to apologise and pay a token amount to a family for the failings we'd found in the homecare it provided to their elderly relative. We promoted this in the press and shared it with the regulator, Care Quality Commission (CQC), to inform their inspection programme. This case resulted in us discussing with CQC how we could work together to better hold providers to account for non-compliance with our recommendations, with plans for CQC to feature our Adverse Finding Notices on the inspection ratings section of their website.

### How we measure our performance

We look at:

- > The impact of our casework in the media and with stakeholders
- > Analysis of the type of recommendations we make
- > The popularity of our effective complaint handling training programme
- > Our annual survey seeking the views of bodies in jurisdiction about how they learn from our investigations

#### Impact of our casework

##### *Public interest reports*

We do many things to support learning from our casework, so that bodies in jurisdiction can improve and make services better for everyone.

A common tool is a public interest report about a council, which we decide to publish when there is:

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

This year we carried on in the vein of the previous year by publishing more public interest reports than in the recent past. Of the 44 public interest reports we published, similar to last year, the majority were about adult social care; education and children's services; and councils' housing and homelessness services.

However, we covered a wider range of topics this year, with reports, for example, about noise nuisance; parking charges and Blue Badge eligibility. The topic in which we saw a worrying uplift, was problems with Education, Health and Care (EHC) Plans for children with Special Educational Needs and Disabilities (SEND). In addition, we published one Adverse Findings Notice against a care provider (see page 14 for more details).

Some of our public interest reports received widespread media coverage this year and demonstrated how our investigations can instigate changes that have a positive effect on services. For example, we published a [report](#) about Cornwall Council in which a homeless young man was housed in a tent, which was the subject of a BBC radio documentary. Later it was confirmed the council was going to invest significant funds in accommodation suitable for housing young people.

We also published [two reports](#) about boys with Special Education Needs in Norfolk being left without suitable education due to the council failing to complete their EHC plans on time. The council accepted our recommendations to make a wide range of service reviews, and our reports were also closely linked to the council's decision to invest a further £120m into services for children with SEND.

## Strategic Objective 3:

we use what we learn from complaints to help improve local services

---

### ***Investigation decisions***

We publish all our investigation decisions (except the small number of cases where to do so would compromise anonymity of the people involved). We hold five years' worth of decisions, and now have some 42,000 available to view through our online, searchable [database](#). This resource is regularly used by bodies in jurisdiction to help improve services or complaint handling.

This year we enjoyed a substantial increase in the amount of news coverage of our decisions. This has been driven by our newsletters which highlight the week's recently published cases in our main topic areas. In particular, the new Local Democracy Reporters who have been set up in regional newsrooms, have increased the scrutiny and reporting of local government working in the local press. Many of these reporters use our newsletters to report on our cases in their area.

### ***Stakeholder engagement***

We share evidence from our investigations with Parliament, government departments and others to help drive improvements in local services and ensure the lived experience of those who complain to us informs public policy debates.

This year we were invited to give oral evidence to five parliamentary inquiries. This included the Ombudsman appearing before the Housing, Communities and Local Government (MHCLG) Select Committee dedicated session to examine our proposals for strengthening local redress systems and reform of ombudsman systems. An Assistant Ombudsman appeared before the Justice Select Committee as part of its inquiry about the regulation of bailiffs. Another Assistant Ombudsman gave evidence to the MHCLG Select Committee for its inquiry

into children's services. As a result of this sustained work, we are increasingly seeing individual Members of Parliament from across the political spectrum, and other stakeholders, drawing upon our body of evidence as part of their own contributions.

During the year, we also contributed to several notable consultations which impacted on our work. This included the review of local government ethical standards by the Committee on Standards in Public Life. This put forward several proposals for reform, including an explicit recommendation to expand our role in investigating complaints about councillor conduct.

## Strategic Objective 3: we use what we learn from complaints to help improve local services

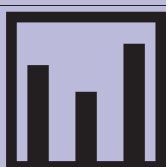
### Providing excellent value

Beyond remedying injustice for people through our investigations, we do lots of work and produce a wealth of resources to encourage learning from our work. These include:



#### [Decisions database](#)

An online resource holding five years' worth of our cases, easily searched and filtered by theme, area, issue and more



#### [Publishing data](#)

Publishing complaints data about councils and care providers



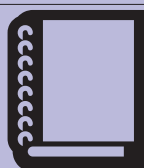
#### [Focus Reports and Guidance Notes](#)

Sharing the intelligence from our cases where we find systemic problems in certain areas, or useful learning for service practitioners



#### [Newsletters](#)

Subscription service to stay in touch with our latest news and cases published on our website



#### [Complaint handling training](#)

How to learn from our experienced investigators to improve complaint handling, with specialist courses for care providers and in key subject matters



#### [Care provider resources](#)

Template complaint procedures and documents for providers to adapt for their own use



#### [Influencing policy](#)

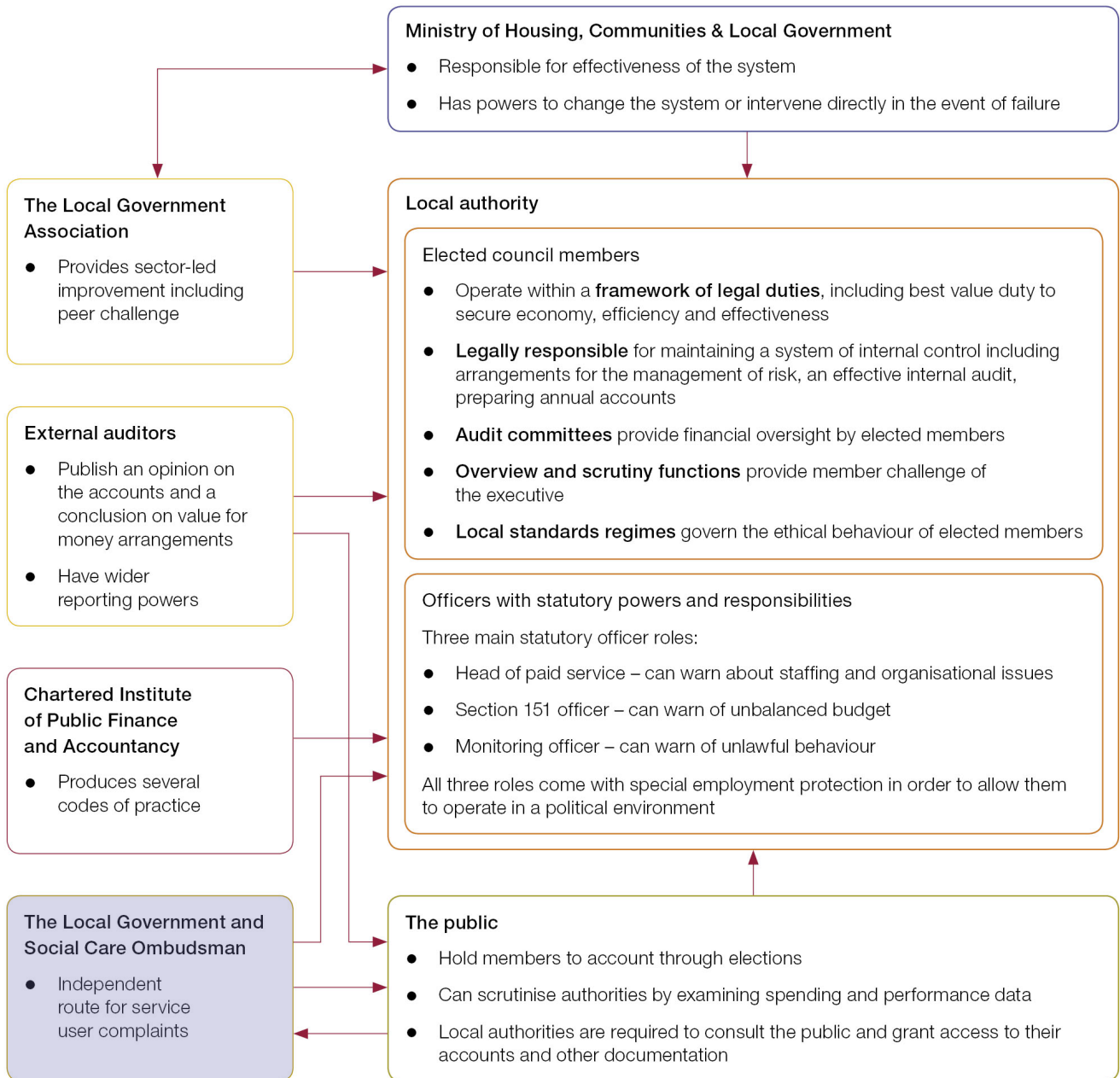
We proactively contribute to public consultations and developing policies when we can add value by sharing useful insight of peoples' experiences of public services



# Strategic Objective 3: we use what we learn from complaints to help improve local services

The National Audit Office (NAO) published a report calling on the government to improve its oversight of local governance systems to help local authorities deal with austerity pressures. The report described us in positive terms as part of the core governance framework for ensuring accountability of local authorities.

## Core local governance framework



- Sets standards or defines practice
- External checks and balances
- Ministry of Housing, Communities & Local Government
- Local authority
- The public

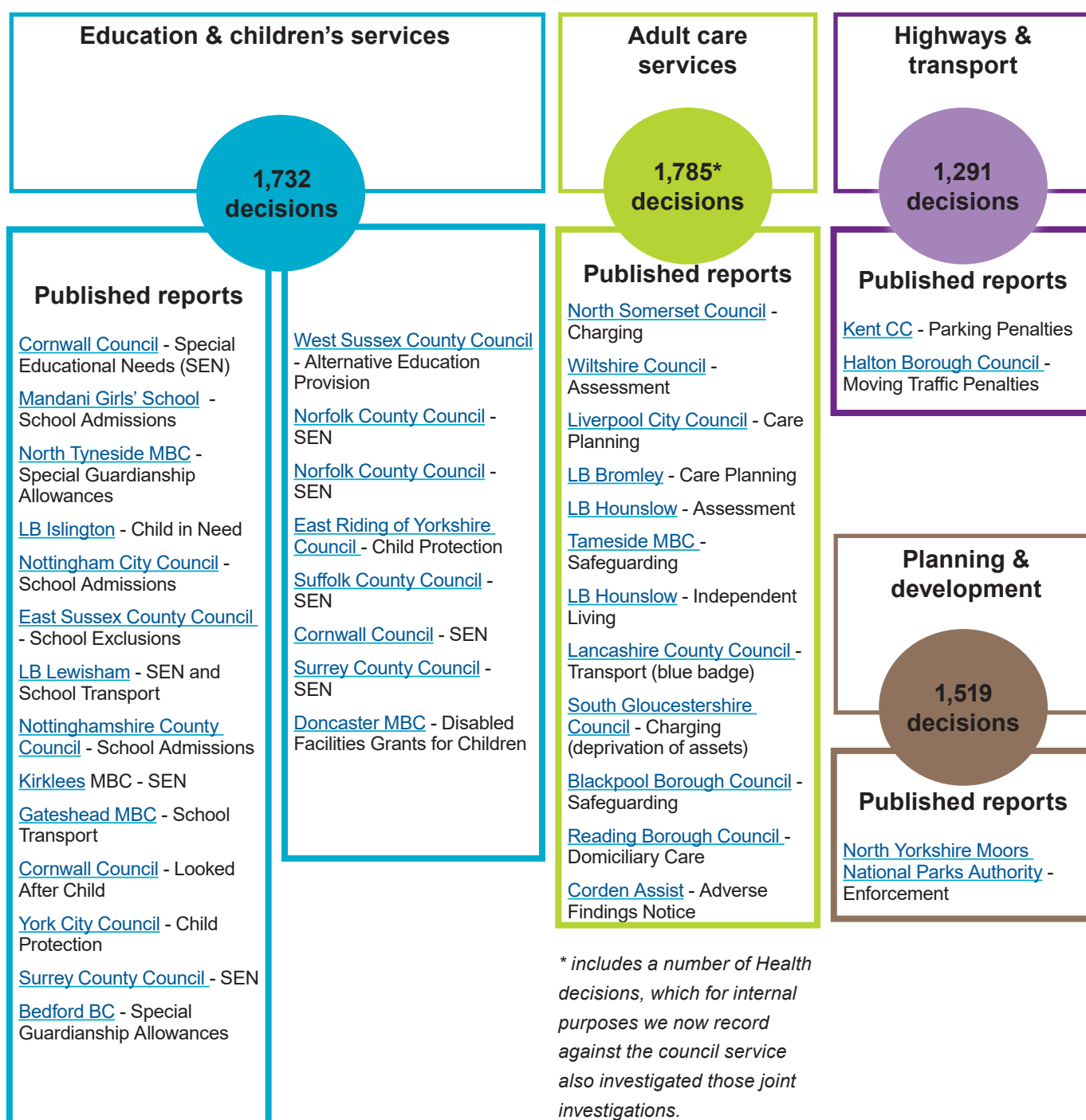
Source: National Audit Office

## Strategic Objective 3: we use what we learn from complaints to help improve local services

### Decisions and reports

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

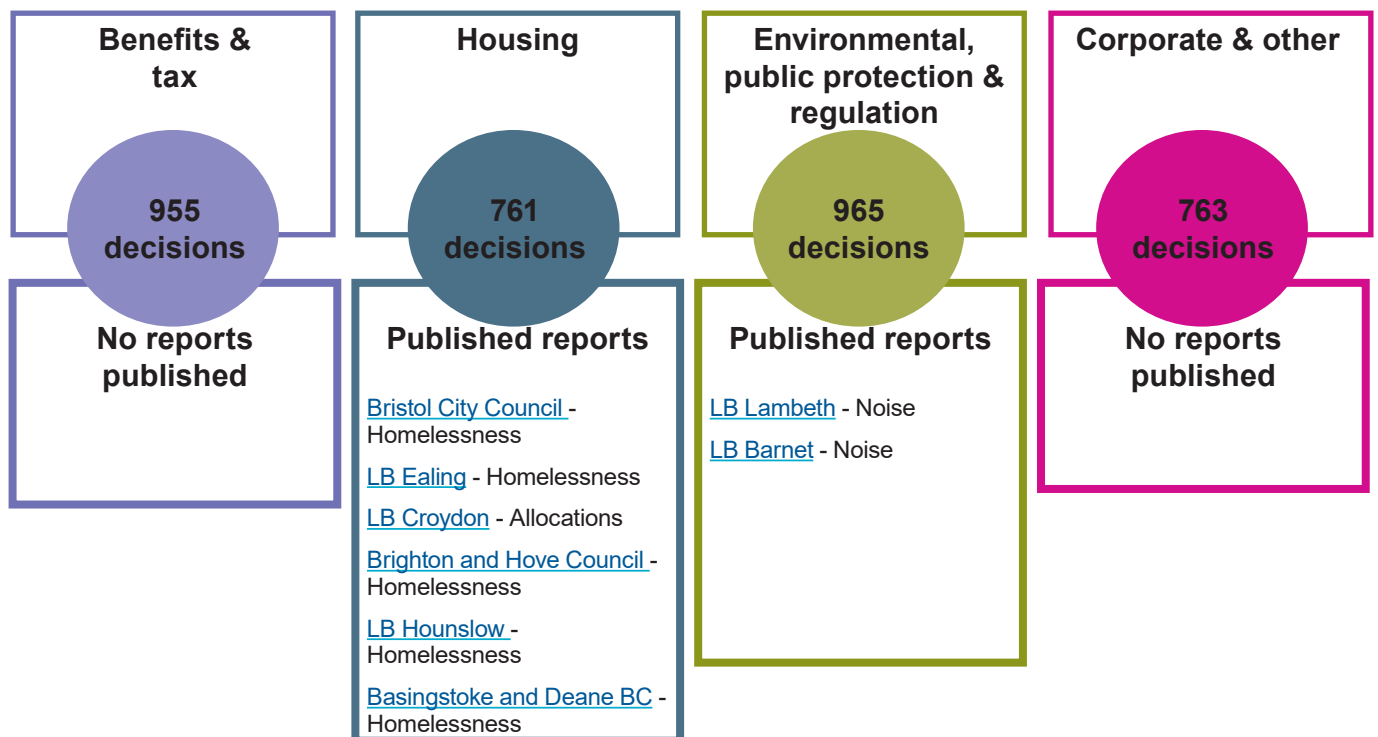
Our press releases to highlight our public interest reports can be found at [www.lgo.org.uk/information-centre/news](http://www.lgo.org.uk/information-centre/news)



# Strategic Objective 3:

we use what we learn from complaints to help improve local services

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## Strategic Objective 3:

we use what we learn from complaints to help improve local services

### Thematic Reports

When our investigations find systemic issues, we publish thematic Focus Reports based on major topics. This year we published three:

#### Firm Foundations: complaints about council support and advice for special guardians

We highlighted that some councils are failing to provide the right support to carers and children subject to Special Guardianship Orders. A lack of clear information and support is leaving some people to make uninformed decisions about the long-term implications of becoming a special guardian, despite willingly providing a secure life for some of society's most vulnerable children.

The report was launched alongside a case about an individual council that agreed to repay more than 170 special guardians the financial support they should have received, following the recommendations in our investigation.

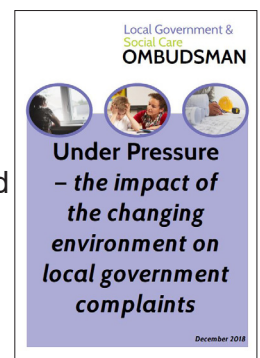


#### Under Pressure: the impact of the changing environment on local government complaints

We challenged local authorities not to throw out the rule book when redesigning services in the face of budget and resource pressures. In the most extensive research report we have done to date, we shared our insights from nearly 40 case studies in which we identified systemic problems stemming from councils changing the way they provided services. The report demonstrates how the stark reality of local government changes over the last decade

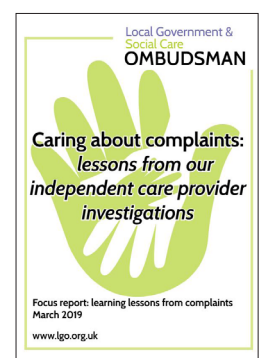
are playing out in the complaints we see. We identified four key areas where ineffective planning for change could lead to service failure for local people:

- > Accommodating longer backlogs
- > Reviewing eligibility criteria
- > Using new partnerships and delivery arrangements
- > Restructuring and redesigning services



#### Caring about complaints: lessons from our independent care provider investigations

Our first focus report aimed specifically at the independent care provider sector, shares the lessons from our complaints to help providers improve services. Since gaining powers to investigate adult social care providers almost 10 years ago, the number of complaints we've received has increased year on year. The report credits this partially to the proactive behaviour of an increased number of providers referring people to us in their complaints processes – and encourages more to emulate this. It also informs providers unaware of the Ombudsman about the difference between our role and that of the regulator, the Care Quality Commission.



## Strategic Objective 3:

we use what we learn from complaints to help improve local services

### Guidance for Practitioners

This year we developed our new programme of shorter documents to share lessons from our cases, directly with practitioners, on issues that don't warrant an expansive Focus Report. We published:

- > **Guidance on Recording Planning Decisions** – this shared our insights from planning complaints where councils have failed to explain properly the reasons for decisions or overlooked material planning considerations
- > **Guidance on Summer Born Admissions** – this clarified our position on the correct decision-making process admission authorities must follow, when dealing with applications from parents to admit their summer born child to school out of their normal age group
- > **Principles of Good Administrative Practice** – we revised our existing guidance, in consultation with the sector, while taking the opportunity to align them with those used by other UK Ombudsmen – in particular the Parliamentary and Health Service Ombudsman (PHSO)

### Recommendations to improve services

In addition to sharing the lessons from our work as widely as possible, we also try to address service improvement directly through our recommendations.

While each investigation is decided on its own merits, we always look for opportunities to recommend actions for the organisation concerned that will improve its services for the many, as well as the person that complained.

We call these *service improvement recommendations*, and they may include things such as reviewing policy or practice, staff training or actions to improve awareness among staff.

We made 1,241 service improvement recommendations in 2018-19. While this is a significant increase on the previous year (730), this is attributed to better recording of the volume and types of recommendations we make, resulting from our work to publish remedies data next year (see next section for more details).



## Strategic Objective 3:

we use what we learn from complaints to help improve local services

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### Scrutinising complaints data

We published the latest of our annual reviews of both areas of our jurisdiction. The Annual Review of Adult Social Care Complaints 2017-18 acknowledged our growing concern about how some authorities are balancing the need to manage finances with how they assess and charge for care. It highlighted a shift in our findings from one-off mistakes to problems with whole systems and policies, or procedures being incorrectly applied. The report released all our data on adult social care complaints for the previous year.

Our Annual Review of Local Government Complaints coincides with us writing to local authority chief executives with a summary of the complaint statistics about their authority, and feeding back on any good or poor performance in responding to our investigations. All letters and complaints data are published on our website. Last year's review (for the year 2017-18) highlighted the power of a single complaint to improve things for many people. It revealed we made 21% more recommendations to improve services for the wider public.

This year we undertook considerable work to prepare for the launch of a new interactive map on our website in 2019-20. This will display increased information for each council about complaint statistics and crucially the nature of, and compliance with, our recommendations. This work involved trialling our remedies data with a group of pilot councils and developing the way we record this information internally.

### 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 2018-19 we delivered 71 courses; 65 courses to local

authorities and 6 to care providers. We trained more than 1,000 people throughout the year.

As well as our in-house courses, we continued to expand our offer of 'open courses' delivering three open courses for local authorities and two for care providers. These improve access to our courses by allowing smaller numbers of delegates to attend from different organisations. We will continue to offer open courses to care providers and local authorities in the future.

We received universally positive feedback from our in-house and open courses with over 85% of delegates saying the course improved their practice and directly contributed to their work. Our programme is currently growing in popularity, shown by the fact we already had nearly 50 courses booked for 2019-20 at the end of this year.

We have also developed our complaint handler network by establishing an online hub on the public sector online peer network, Knowledge Hub. This allows complaint handlers to post questions, share best practice and work collaboratively. We can also host webinars, Q&As and share our learning from complaints direct with complaint handlers.

### How bodies in jurisdiction learn from our investigations

We carry out a survey of council and care providers each year, to help evaluate the extent to which they use our reports and resources to drive service improvement.

Overleaf are the significant findings from the responses we received this year.

## Strategic Objective 3:

we use what we learn from complaints to help improve local services

### Councils

*“The [Ombudsman’s new] principles of good administrative practice are being included in our new staff guidance document”*



99%

think our investigations had some impact on helping to improve local public services



34%

think our visibility has increased



8.4/10

(average score) for our investigations being impartial, fair and rigorous



8.3/10

(average score) for our investigations being clear, consistent and proportionate



51%

review practices in light of the lessons from our focus reports and reviews of complaints

**Strategic Objective 3:**  
we use what we learn from complaints to help improve local services

Care Providers

*“We now have the single statement for care providers [that LGSCO produced] displayed on our website.”*



**93%**

think our investigations had some impact on helping to improve adult social care



**44%**

think our visibility has increased



**8.9/10**

(average score) for our investigations being impartial, fair and rigorous



**8.7/10**

(average score) for our investigations being clear, consistent and proportionate



**78%**

referred people to us in their complaints processes – showing there is more work to be done



## Strategic Objective 4:

we are accountable to the public and use our resources efficiently

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### How we measure our performance

We look at:

- > Our financial performance and control frameworks
- > Our value for money
- > Continuity of our IT services
- > How we remain transparent and open to public accountability
- > Our impact on the environment

#### Financial performance

We maintained sound governance and ensured efficient and effective delivery of our core business throughout 2018-19. 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 2018-19 was £13.276m (see page 64) which was an increase of £0.542m compared to 2017-18.

We have been working with our sponsor department, the Ministry of Housing, Communities and Local Government (MHCLG), in a manner consistent with the approach set out in the Framework Agreement, which was last updated in December 2017. The Chair, Chief Executive and Head of Finance continue to meet MHCLG officials on a regular basis.

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 confirmed a 'status quo' budget for 2018-19 and has also agreed the same basis for 2019-20. This is on the basis we will continue to operate as a standalone body.

In addition to the budget agreed for 2019-20, we have submitted a business case to MHCLG to request extra ongoing funding for additional investigative staff (see page 31).

#### Value for money

We continued to offer value for money by constantly looking for efficiency savings. We operate with the lowest cost per complaint when benchmarked against comparable organisations (£911). In 2019, during a Select Committee hearing, the Minister for Local Government highlighted that we are "*probably the most efficient ombudsman in the United Kingdom.*"

#### Continuity of IT systems

This year, our IT systems were sufficiently secure, and not breached by any cyber-attacks. We did not see any personal data compromised through IT failures. An Internal audit report gave us assurance against nationally recognised cyber security standards, with the second highest rating (moderate). We implemented new systems to further protect our network from viruses and 'phishing' attacks.

Systems downtime over the year was minimal and within our strict levels of tolerance. We continued to improve the reliability and performance of our systems with the addition of new servers and storage. Our use of digital innovation was further developed as part of our corporate strategy.

## Strategic Objective 4:

we are accountable to the public and use our resources efficiently

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### Ensuring accountability

Our board – the Commission for Local Administration in England – sets our budgets and business plans, and its work is scrutinised by the Audit and Risk Assurance Committee, and the Remuneration and Appointments Committee (see pages 46-50 for more detail on the work of these committees).

We publish the minutes and non-confidential papers for these meetings on our website for independent scrutiny. We also publish our staff procedural manuals and guidance so the public can understand the processes we follow in coming to a decision.

Our publication scheme explains the information we publish, and we carry out an annual exercise to assess it against Information Commissioner's Office (ICO) requirements, which is reported to our Executive Team.

The act of laying our Annual Report and Accounts in Parliament is a key way of remaining publicly accountable. This year's accounts have been audited by the National Audit Office without qualification.

### Environment and Sustainability

We aim to reduce the impact of our business on the environment in a sustainable way.

This includes trying to reduce travel through improved video conferencing facilities and telephony for remote working.

The buildings we occupy are part of the Government estate and we share floorspace with other organisations. Therefore we are unable to report statistics on how our business individually has an impact on the environment. We take an active part in all building-wide sustainability initiatives at all three sites.

### Equality, diversity, inclusion and staff matters

We are committed to eliminating any barriers preventing or deterring people from accessing our service. We tell complainants they can request adjustments to the way we work at any point in our process.

In our own employment, we fully support the principles of equality, diversity and the respect of human rights. All staff, regardless of age, disability, gender, race, religion or belief, sexual orientation, or any other irrelevant distinction, 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 have a workstream within our Business Plan which looks at the well-being of our staff. This year we surveyed staff on their views on good well-being, which is informing future work, and we carried out a number of initiatives including offering mindfulness sessions.

Our well-being work sits under the wider project to develop a culture of learning. This year we started a three-year business plan project to move towards becoming a learning organisation, which focuses on a range of areas including recruitment and inductions; reward and recognition; and personal development (see p34 for more details).

We work with the staff trade union and have an elected staff committee which considers and makes recommendations on matters affecting staff. This ensures regular communication between the management team and staff representatives.

## **Strategic Objective 4:**

we are accountable to the public and use our resources efficiently

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### **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). 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's Accounting Officer that these proposals do not change the going concern status of LGSCO in 2019-20. Informing a judgement about the overall status of the organisation, the Accounting Officer has continued to keep these matters under review and has considered the steps that would be required to implement these proposals,

along with the inevitable uncertainties that exist around the timetable and outcome of the proposed changes. It does not appear likely that the Bill will be considered by Parliament during 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**

**8 July 2019**

# Accountability report: Directors' report

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## Leadership and direction

The Commission for Local Administration in England meets regularly, in the form of a Board, to oversee the work of the LGSCO, to provide advice and constructive challenge. The Board sets the strategic direction for the organisation by agreeing the Strategic Objectives, three-year Corporate Strategy, Annual Business Plan and Annual Budget. It also scrutinises, and advises on, the performance of the LGSCO. The chair of the Board is Michael King, the Local Government and Social Care Ombudsman. The Parliamentary and Health Service Ombudsman, Rob Behrens, attends meetings as an ex officio member of the Commission. The Board also has three independent advisory members: Carol Brady MBE, Deep Sagar and Prof. Stephen Perkins. 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 information about governance can be found in the Governance Statement later in this report.

The Executive Team is responsible for managing and leading the work of the LGSCO. Its primary purpose is to ensure that LGSCO fulfils its statutory functions and its core strategic purpose: 'To remedy injustice and help improve local services'. Its membership reflects that purpose by bringing together the most senior managers responsible for the casework and its impact. It is chaired by the Chief Executive, includes the Ombudsman, the Director of Intake and Assessment, the Director of Investigation and the Head of Policy and Communications. Meetings are monthly and the Executive Team makes key decisions about staffing, operational policy, risk, business planning, finance, accommodation, technology, data, and other issues about delivery against our aims.

The Executive Team delegates some of these operational decisions to other committees, where it is appropriate to so. So, for example, separate committees meet regularly to focus on: casework policy; performance and quality; delivering efficient corporate support; disseminating learning from investigations; how we use information and IT and looking after the health, safety and well-being of our staff. This helps to facilitate inclusive and effective decision-making, and good communication, whilst also ensuring members of the Executive Team maintain oversight of important areas of work.

The Leadership Team is a larger group including managers from all parts of LGSCO, which helps to shape the future direction of our work but is not primarily a decision-making body. The Leadership Team's role is to share information and to act as a forum for cross-cutting management discussions, consultation, and the development of ideas. Meeting agendas avoid long lists of transactional business items, and focus instead on sharing information and providing time for in-depth discussion between managers.

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## Staffing

LGSCO relies on 172 staff to carry out its functions. Every month, the Executive Team reviews any changes in the actual number of staff in post, comparing this to the agreed staffing establishment allowed for in the budget. The variance in the actual number of staff against the “fully staffed level” has been kept to an absolute minimum over the year, through early planning of recruitment programmes. At the end of the year, we were 98.0% staffed, which is similar to the position in other months. We continue to ensure we make the most of available resources whilst at no time over-spending the total staffing budget.

As is usually the case, turnover of staff has been relatively low over the year, at 4.8%. As soon as any vacancies arise, unless there is some reason to review the arrangements, our immediate priority is to commence recruitment so that workforce ‘gaps’ can be avoided.

The percentage of days lost due to sickness remains extremely low at 2.3%. This is well below the average for comparable organisations, which we use as a benchmark. While this position is extremely positive, we are still committed to engaging with staff to ensure the working environment is as positive as it can be, and have embarked on a major programme of work looking at practical measures to further improve the well-being of our staff.

## Accommodation

LGSCO has three office locations: Coventry; York; and London. Each of these is located in shared accommodation in government owned buildings, which provides cost-effective office space without the need for private leases. As a result of having three sites, and a proportion of staff working from home, LGSCO relies on technology and modern, flexible, working arrangements to conduct its business, communicate effectively and deliver its services direct to the public.

## Sponsor arrangements

LGSCO’s sponsor department within government is the Ministry for Housing, Communities and Local Government (MHCLG). The details of the sponsorship relationship are set out in a Framework Document. The latest version of this document was agreed in December 2017 and this informs the nature of the arms-length relationship, which emphasises the independence of the LGSCO scheme, whilst also ensuring that governance arrangements are appropriate.

The Framework Document recognises the personal authority of the Ombudsman in relation to complaints and investigations and, importantly, does not impose any restrictions on the independent exercise of the Ombudsman’s statutory functions. The Chair and Accounting Officer, staff and members of the Commission have all continued to act in accordance with the terms of the agreement throughout the year, and ensured that practical working arrangements with MHCLG have remained clear.

Over the course of the year LGSCO has attended regular meetings with MHCLG, including quarterly Accounting Officer meetings, participated in meetings between different ‘arms-length bodies’, which are hosted by MHCLG officials, and exchanged regular correspondence. In addition to business-as-usual activities, the main focus during the year has been on a business case submitted by LGSCO in August 2018 for additional core funding. MHCLG indicates that a final decision on funding should be given shortly.

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## Budget

Following significant budget reductions in recent years, LGSCO operates an extremely lean business model. Management and corporate support costs are stripped back and resources are focussed on operational staff, delivering core statutory functions. The vast majority of expenditure is incurred on staffing and accommodation. The remaining spend, only a small part of which could be considered discretionary, amounts to less than 10% of the budget. As a result, we have limited resilience to respond to unexpected pressures arising from changes in demand for our service, fluctuations in our capacity to meet that demand, or disruptions in core systems such as network availability.

We have recognised that, even with the fundamental redesign of our service delivery, the significantly reduced budget now available is simply insufficient to deliver our statutory functions. With this in mind, we submitted a detailed business case to MHCLG during the year, asking for a modest increase of core funding of just below £700,000, in order to avoid backlogs building up. Indications are that a formal decision should be received shortly. An indicative standstill budget of £11,325,000 has been agreed by MHCLG for 2019-20 (2018-19: £11,085,000).

## 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 funding position of the scheme at any point in time can be estimated but the results (as to

whether the scheme is assessed to be in deficit or surplus) can be extremely volatile as the estimate can be done on different bases, and is very sensitive to changes in assumptions, for example on life expectancy, asset returns, and future levels of inflation.

The Directors estimate that at 31 March 2019 the scheme has a surplus of approximately £14.2 million when measured on the basis used for the purposes of calculating future contribution rates (at 31 March 2018 there was an estimated surplus of approximately £14.0 million on this basis).

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 £22.8 million at 31 March 2019 (2018: £25.2 million). This deficit is shown in the Statement of Financial Position on page 65 and more details are available in Note 13 to the Accounts on page 78.

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 last completed a triennial valuation as at 31 March

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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 13.76% of pensionable salaries. A new triennial valuation will be undertaken at 31 March 2019 and this will determine Employer contributions from 1 April 2020 onwards.

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 £68m (2018: £55m) in this event.

## **Procurement**

LGSCO regularly reviews its arrangements for services and contracts, and makes use of the procurement opportunities available through the Crown Commercial Service, where it is appropriate to do so. This year we completed a review to ensure all contracts and services delivered are GDPR compliant and, where data processing is undertaken we issued schedules

to our suppliers asking for further details about how they are processing data. Following our introduction of a central contracts and services register for recording and monitoring last year, we have now introduced an automated system where managers who are responsible for contracts are informed to start a procurement process at the agreed trigger date.

Significant procurement activity for 2018-19 included a replacement payroll and HR information system, and replacing all multifunction printers. Both were through Crown Commercial Services framework agreement.

## **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. This year LGSCO met its target, making 98% of supplier payments on time (98% in 2017-18).

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

During the year no losses or special payments were made (2017-18: £nil).

## **Legal and litigation**

We are always happy to address any complaints or concerns about our staff conduct, or our decisions, as a means of avoiding costly litigation. But in certain circumstances, it is possible for complainants to pursue judicial review if they feel our decisions are in some way procedurally wrong. This process is not an appeal against the Ombudsman's decision as the Court will not exchange its view for ours, but – if people are successful – it has the effect of quashing the

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decision and requiring us to re-take it.

During the course of the year, LGSCO was notified of 14 potential judicial reviews through the issuing of a pre-action protocol (a process that the Court expects parties to use before lodging an application for judicial review). Of these, just one went on to issue proceedings. There were a further two judicial review claims lodged with the Administrative Court where the pre-action protocol had not been followed. In all three cases permission was refused for a substantive hearing, as the Ombudsman's decision was considered to be sound. We also dealt with three County Court claims where individuals were seeking compensation for alleged breaches of public sector duties or purported negligence. None were successful. In all cases where we successfully defend such actions, we look to recover our reasonable costs.

LGSCO has continued to receive external legal advice and representation from Bevan Brittan LLP, based on an annual retainer agreement. This arrangement has worked well for investigators and managers alike.

## Corporate strategy

This year, LGSCO embarked on a new three-year corporate strategy based on our four strategic objectives, which are:

- > Our service is easy to find and easy to use
- > We remedy injustice through impartial, fair and rigorous investigations
- > We use what we learn from complaints to help improve local services
- > We are accountable to the public and use our resources efficiently

The new strategy was published at the beginning of the year. It set out how we would build on the excellent work already undertaken, and further innovate and modernise our service, without losing sight of the core casework responsibilities or compromising our defining principles of independence, impartiality and fairness.

Transparency was at the heart of the strategy, with commitments to publish more information and create even greater openness about the way we work, our processes, and the decisions and recommendations we make.

In particular, the new strategy emphasised the importance of moving the national conversation about our work away from a simplistic focus on complaint volumes. Instead it turns the spotlight on the value we can add for the wider public, through recommendations to improve services and by sharing learning from our investigations.

The strategy also focused on investment in our staff and our supporting technology to create a modern, accessible service with a learning culture that helps our staff do a tough job with confidence and pride, working in collaboration with other bodies.



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## Business plan

Our 2018-19 business plan was firmly rooted in the commitments we have made in the corporate strategy, to ensure we stay on track with our longer-term ambitions. As usual, work activities were initially considered at an off-site meeting involving all managers and members of the Commission so that we have a clear overview of the scope of the work before detailed preparation starts, and we can be confident that this is in line with the corporate strategy. Following this, each initiative is allocated to a senior responsible officer and a delivery lead who work together, often with the support of a small team of other staff, to set out the business objectives and benefits, significant delivery milestones, and, crucially, the success criteria and performance measures.

Business Plan projects involve staff who are already heavily engaged in our core work, but who nevertheless show the necessary determination and dedication to deliver their initiatives. The plan for 2018-19 included 23 distinct programmes of work, which covered a combination of core service provision and developmental initiatives to improve the effectiveness of our work, particularly in light of the reductions in our overall budget.

As with previous years, the Executive Team was responsible for monitoring progress against the work programmes and reviewed this on a monthly basis, providing additional support or reallocating resources where necessary. Detailed narrative updates were reported to the Commission every quarter, along with a red/amber/green rating to indicate overall progress.

By the end of the year, nearly all the business plan initiatives were formally signed off as being fully completed, helping to move us forward against our longer-term goals.

For example, we delivered a business-wide upgrade to our computer systems and introduced changes to make our email system more resilient and secure.

Throughout 2018-19 we worked hard to improve the quality of our data and completed an extensive pilot exercise with a number of councils, to prepare for the publication of improved information about our recommendations on our website.

In addition to our efforts to maximise the impact of our casework, we successfully extended the sharing and promotion of our learning in some targeted areas working with scrutiny organisations, councils, prisoners and prison charities, including drawing up a new working agreement with the Prisons and Probation Ombudsman.

We undertook a triennial review of our enabling legislation, consulting with key stakeholders and drafting and reviewing our policies with MHCLG.

## Becoming a learning organisation

One of the most important commitments in this year's business plan was to start a three-year project to become a "learning organisation": a place where people work collectively to enhance their capacity to create results they really care about. We set out to improve our service by identifying and sharing learning arising from our experiences, so we can work smarter, innovate and become more efficient. Staff from different parts of LGSCO volunteered to take part in a number of initiatives:

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## ***Recruitment and induction***

Our focus was on making sure we recruit in the most thoughtful way; that people know what's expected of them, and what we can offer, before they even get to the interview. Also, preparing our new starters in the best possible way; providing practical hands-on support, as well as making the most of their skills and ideas from the moment they join us. We are also developing a statement which sums up the full range of benefits (e.g. flexitime, training and development) involved in working for the LGSCO to be shared with all staff and help with recruitment.

## ***Reward and recognition***

We want to ensure that individual contributions are appropriately recognised and rewarded, and that people feel valued as well as being committed to the values of LGSCO. With this in mind, we did more to publicise positive contributions and celebrate when things went well, as well as recognising and thanking individuals for what they have done, in a timely way.

## ***Professional and personal development***

Training is crucial for every role in LGSCO but in the past, we have tended to concentrate on knowledge and information rather than skills. So, we began to work with staff to identify a set of core competencies needed to perform key jobs. This can be used to develop practical skills-based training to help to ensure individuals are confident in their roles, as well as developing skills which could be transferable to other settings, to help people progress.

## ***How we manage***

Good management can make all the difference to our experience of work. Our staff survey highlighted how important it is for managers to treat people as individuals but at the same time, show consistency and fairness in the way they tackle the difficult issues. Our managers are focusing on how to achieve this but rather than relying on external consultants, they are working together in a reflective way, to build on their strengths and to think and learn together as a group about how their behaviours can have a positive impact across the organisation.

## ***Knowledge Management***

It is particularly important in our organisation that staff have ready access to information which is accurate, up-to-date and relevant to the kinds of complex situations they need to deal with on a daily basis. We are further developing our intranet guidance, to make sure it links together in a helpful way: induction materials, casework guidance, our published reports, and our legal advice have all been linked where it helps users to get the answers they need easily and quickly. We are also looking at different ways of sharing information online or using video, where that might help.

## ***Well-being at work***

We spend a large proportion of our lives at work; it should be as meaningful as possible, so every member of staff can genuinely flourish and achieve their full potential. This benefits individuals and the LGSCO. We believe well-being is not just about the environment. It comes from doing a job well, and knowing we have the necessary skills, support and encouragement from those around us. It is not passive; everyone is responsible for their own well-being, for working constructively with others, and for making improvements where

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necessary. We have begun to encourage staff to express their own views and needs about well-being and are responding positively wherever we can: whether it's about taking time for mindfulness sessions, helping to manage stress or providing sit/stand desks to help avoid problems associated with sedentary working.

### **Joint working with other public bodies**

We work hard to collaborate with other bodies wherever this will lead to improvement. This might be by encouraging innovation, learning from the experiences of similar bodies, improving our professional practices or avoiding the unnecessary duplication of time, effort and resources. Similarly, it might mean direct co-operation with other ombudsman schemes or regulatory bodies working in similar areas, to simplify or otherwise improve access to public services, improve efficiency between different complaints systems or foster collaboration when designing new programmes of work.

### **Health and Social Care Regulators**

LGSCO has continued to participate in a forum of regulatory and Ombudsman organisations involved in health and social care. During the year we participated in the launch of the Emerging Concerns Protocol. We know that sharing concerns at the right time can make it easier to make links between pieces of information that tell members of the forum that a problem is emerging. The protocol strengthens the mechanisms that allow this information to be shared and allows LGSCO and others to fulfil our collective role better of protecting members of the public when serious concerns arise.

### **The Care Quality Commission**

LGSCO continues to operate an information sharing agreement and memorandum of understanding with the health and social care regulator, the Care Quality Commission (CQC). This helps both bodies to have a properly informed view of social care organisations and take a joined-up approach to improving care services. For example, we share our 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 inspectors to record a range of actions taken including contacting the provider to follow up agreed actions, raising the issue at the next inspection or undertaking targeted inspections.

There are also links between the two organisations' websites to help people find the information they require quickly. This is supported by the sharing of events, new initiatives and technical reports in each organisation's newsletter.

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. This year we helped more than 4,000 people reach the right service. In addition, we are now able to track complaints from transfer to investigation decision.

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## Ofsted

Our relationship with Ofsted continues to be positive and constructive. We are in the process of updating our information sharing protocol to ensure it is GDPR compliant and also reflect our increasing concerns about Special Education Needs complaints. The protocol will be amended, to enable us to share information about actions councils have taken to comply with recommendations if we remain concerned that systemic issues have not been fully resolved. This will potentially help inform future Ofsted inspections in deciding which areas to prioritise and what the focus of an inspection needs to be.

## The Housing Ombudsman

The Housing Ombudsman Service (HOS) is responsible for complaints about certain housing matters, including complaints about local authorities acting as a landlord of social housing. We continue to work closely with the HOS under a memorandum of understanding. This sets out a common approach to jurisdictional boundaries between our schemes, early handling and signposting of complaints and other forms of joint working. This year we collaborated with HOS to update the memorandum of understanding to reflect changes introduced by GDPR. We have also introduced a new process for sharing personal data with HOS. This year we re-directed more than 2,000 people to HOS because their enquiry was more relevant to that service. We continue to look for opportunities to work together to ensure housing complaints are made to the correct Ombudsman scheme and to identify cases for joint investigation.

## The Parliamentary and Health Service Ombudsman

LGSCO has continued to support the formation of a single Public Service Ombudsman, which would bring together the work currently undertaken by LGSCO and the Parliamentary and Health Service Ombudsman (PHSO) into a new body with a modern legislative structure. Since the Government introduced a Draft Bill in December 2016 to create such a body, we have worked in close liaison with the PHSO to explore ways in which we can prepare for the changes. Although, since then, parliamentary time has not been found to take the Draft Bill forward, and this now may not happen for some time, we continue to work closely with PHSO, where practical, and where it provides a better service to members of the public and bodies within our jurisdiction.

Both organisations share their draft business plans as they are being developed to ensure we can discuss potential new developments at the earliest stage. So, for example, we have committed to, and are working towards, collecting information about our performance using the same measures, and publishing this jointly so that it becomes easier for the public to understand.

But perhaps the biggest single challenge faced by people who rely on our two organisations is when a single complaint spans the divide between health and social care, and the apparent failings are not limited to one body but involve two or more different bodies who should be working together to support service users. Rather than replicating these potential divisions – by treating the two parts of such a complaint separately – LGSCO and PHSO have created a single team of professional staff and allocate such a case to a single investigator who can look at both sets of issues in one joint investigation. This specialist team is managed

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by LGSCO and has the delegated authority of both Ombudsmen to look at matters whether they relate to the NHS, local government or privately funded social care. It is proving to be challenging and often complex work but this relatively new endeavour is helping some of our most vulnerable citizens navigate through problems which have had a significant impact on their lives.

## The Ombudsman Association

We continue to be an active member of the Ombudsman Association. For example, we helped to develop a service standards framework for Ombudsmen schemes to improve their performance and demonstrate the quality of the service they provide (see page 51 for more details). As part of the re-validation process, we were asked to conduct a detailed review of our guiding principles (independence, fairness, effectiveness, openness and transparency, accountability governance, and principles of good complaint handling) to demonstrate adherence to the Ombudsman Association criteria. When we received formal re-validation, the Validation Committee commented on the high quality of the application and that it was supported by comprehensive, publicly available information. The Association also particularly highlighted the reduction in LGSCO's funding in recent years, stating: *"Whilst LGSCO are to be commended for how they have adapted to this hugely significant cut in resources, the Executive did note their concern of the challenges this presents to LGSCO to provide an effective service"*.

One of the ways in which we share good practice and keep up-to-date with developments elsewhere in the Ombudsman network is through regular participation in special interest groups supported by the Ombudsman Association. During the year we participated,

for example, in groups focused on: developing effective 'first contact' services for members of the public; improving standards in relation to casework; sharing approaches to supporting and developing staff; sharing understanding of legal issues affecting Ombudsman schemes; collaborating on policy issues and sharing ideas and good practice on communications. This has helped to inform our approach in many areas of common interest and resulted in specific initiatives such as a publicly available database on legal issues and a competency framework for casework staff.

## Peer review

Following discussions at the Ombudsman Association, we undertook a peer review of the Public Services Ombudsman for Wales (PSOW). Over three days, we spoke with a range of staff from PSOW, and considered process and policy documents and working practices. The review was deliberately high level with broad scope, with the aim of identifying areas to improve efficiency and service levels.

After reviewing the information gathered, we produced a report setting out findings and recommendations. Officers from PSOW then visited LGSCO to explore in more detail the main differences in the way our respective organisations work, with the intention to develop specific actions for improvement and positive change. This was achieved but it was also notable how closely aligned we were in the way we work and the services we provide. The peer review was a two-way process to learn from one another. Remaining open-minded and inquisitive and asking questions about the way we do things enabled both parties to identify opportunities to improve. For example, we have revised some of our standard letter templates and are developing guidance on how we integrate human rights into our casework. PSOW said about the review:

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*“Whilst the greatest value from the peer review will arise from the focussed changes and improvements taken forward by PSOW, the review by a knowledgeable and experienced critical friend has already proved to be positive in prompting challenge and helping to identify areas for improvement”. We have asked PSOW to conduct a reciprocal peer review of our activities and will report the results in next year’s annual report.*

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

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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 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 the 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

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## The Commission: membership and responsibilities

### The Commission for Local Administration in England

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 is responsible for:

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

During 2018-19, the Commission was chaired by Michael King, the Local Government and Social Care Ombudsman. Rob Behrens CBE was also an ex officio Commission member as part of his role as the Parliamentary and Health Service Ombudsman. As well as

these two Commission members, there were three independent advisory members of the Commission: Carol Brady MBE, who also led on health, safety and well-being of staff; Deep Sagar, who also chaired the Audit and Risk Assurance Committee; and Prof. Stephen Perkins, who also chaired the Remuneration and Appointments Committee. The Chief Executive and Accounting Officer attended all Commission meetings in an advisory capacity, together with other senior staff as required.

### The Ombudsman

The Ombudsman is a Crown appointment who serves for a fixed term of seven years; as already stated, this post was held by Michael King throughout the year. The organisation exists to investigate complaints against councils, social care providers and others, to provide advice and guidance on good administrative practice and, under the Local Government Act 1974, the personal authority to investigate these complaints is vested in the Ombudsman. However, on a day-to-day basis, decisions on casework are made on behalf of the Ombudsman by staff throughout the organisation, in line with a detailed scheme of delegation. This is an important document as it sets out which decisions can be made by which members of staff, thus enabling the organisation to operate efficiently and in line with its statutory duties.

Therefore, all casework matters such as conducting investigations, exercising statutory discretion, determining the outcome of complaints, recommending remedies, and publishing casework outcomes are determined by staff through a scheme of delegation or by the Ombudsman himself. The exercise of these quasi-judicial functions is independent



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of the Commission, government, and local government, and can only be challenged by way of judicial review.

So, the accountability of the Ombudsman as Chair of the Commission is to the Secretary of State for Housing, Communities and Local Government but accountability in relation to casework matters is direct to Parliament.

### **The governance of the Commission and the Local Government Act 1974**

The Commission's powers and duties are set out in the Local Government Act 1974 and have been summarised in a practical guidance note, which was discussed by the Commission during the course of the year, to ensure that there was a clear and common understanding of the statutory powers and responsibilities, and how these are reflected in the work of the Commission. A Framework Document sets out the arrangements for the governance of the Commission and the respective responsibilities and accountability of the Commission, its Chair, the Accounting Officer, the Secretary of State for Housing, Communities and Local Government and officials in the Ministry for Housing, Communities and Local Government (MHCLG).

Back in 2013, the governance arrangements were the subject of an independent review carried out by Robert Gordon on behalf of the then Secretary of State for Communities and Local Government. Robert Gordon was complimentary about the arrangements in place and noted the governance arrangements are effective in managing the LGSCO. However, he also noted that the Local Government Act 1974 required reviewing and bringing up-to-date at the earliest opportunity. This would, for example provide a proper statutory basis to operate with one Ombudsman (there were previously three) and would also be an opportunity to create

a single unified Public Service Ombudsman service. In December 2016, the government published a Draft Bill, to achieve this. However, the Draft Bill has not proceeded since that point and is unlikely to be considered during the forthcoming parliamentary session. In the meantime, LGSCO continues to look for opportunities to incorporate the governance changes proposed in Robert Gordon's review and raised these issues formally with Government during the year through a triennial review of LGSCO's legislative framework. LGSCO has also highlighted the need for legislative change to the Select Committee for Housing, Communities and Local Government, most recently in March 2019.

## The work of the Commission

Commission and committee attendances in 2018-19 are shown below.

<b>Present</b>	<b>Commission meetings (5 in total)</b>	<b>Audit and Risk Assurance Committee meetings (4 in total)</b>	<b>Remuneration Committee meetings (3 in total)</b>
Michael King (Chair and Commission member)	5	4	3
Rob Behrens CBE (Commission member and Parliamentary and Health Services Ombudsman)	3	N/A	N/A
Carol Brady MBE (Independent Advisory Member)	5	4	2*
Prof. Stephen Perkins (Independent Advisory Member and Chair of the Remuneration and Appointments Committee)	5	4	3
Deep Sagar (Independent Advisory Member and Chair of the Audit and Risk Assurance Committee)	5	4	3

\* Carol Brady MBE was asked to be a member of the Remuneration and Appointments Committee at the committee's meeting on the 31st May 2018. The first attended meeting was held on the 7th December 2018.

At each of its meetings, the Commission had oversight of the progress made against the annual business plan, achievement against key performance indicators, progress in relation to published quality and service standards, expenditure against the agreed budget and a range of highlight reports on key issues. Reports use a combination of narrative commentary on issues which need highlighting and graphs, showing changes over the course of time. The Commission also oversees strategic risk, advised by the Executive Team and the Audit and Risk Assurance Committee.

Before formal business meetings, the Commission undertakes a focused discussion workshop session, looking at issues pertinent to its work or of particular interest. Over the year, these workshop sessions have included:

- > **Casework Impact:** the Commission considered the role and work of the LGSCO Casework Impact Group including the criteria and process for developing focus reports.
- > **The role and aims of the Commission:** a ‘plain English’ overview of the powers and duties of the Commission arising from our legal framework. The Commission discussed how it can best work together to help the LGSCO realise its strategic aims.
- > **Frontline services in Local Government, pressures and issues:** the Commission identified the importance of hearing first hand those working in local government. A “Link Officer” from a local authority was invited to share insight with the Commission about the pressures and experiences of working with the LGSCO and the effect of the changing landscape in local government.
- > Commission members also attended a two-day meeting with LGSCO managers in which the members helped to develop the corporate strategy and new business plan.

## Commission and committee performance

Members of the Commission, along with the Chair, are responsible for managing their own personal development to ensure they develop and build on their skills and knowledge, in line with their roles. Support is provided to Commission members as requested, based on individual needs.

In July 2018, the Commission held a dedicated session to reflect on its role, to consider its performance in relation to meeting LGSCO’s

strategic aims and how best to judge effectiveness. This resulted in an agreed set of priorities for the next 3-5 years.

## Quality standards

LGSCO has seven quality and service standards, which are published on our website:

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.

LGSCO monitors adherence to these standards through regular reporting to management committees. There are several different indicators for each standard – 37 in total – which show whether we are meeting the standard. The status of each is regularly updated to Red (standard not met), Amber (standard just missed) or Green (standard met). These ratings are reported to the Commission at each of its meetings, along with a commentary about any changes and,

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crucially, action being taken where necessary. This provides the Commission with oversight of quality ratings and adherence to service standards.

There was a high level of adherence in the majority of areas this year. At the end of the year, one rating was red, 11 were amber and 26 were green. Any actions were taken where necessary in a timely manner.

## Principles of public life

The 7 Principles of Public Life, also referred to as the Nolan Principles, remain important for all LGSCO staff. On a day-to-day basis, the principles shape and provide guidance on objectivity and accountability, and encouraging impartial and transparent decision-making.

## Register of interests

Members of the Commission and LGSCO's senior executives are required to complete a declaration of interests disclosure form which are published on its website. In 2018-19, 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](http://www.lgo.org.uk/information-centre/about-us/who-we-are/our-boards/commission)

## Staff survey

Our most recent staff survey was conducted in the previous year and the results published on our website. This year staff were asked to discuss what everyone could do to act on the feedback. We used the thoughts and ideas from those discussions, along with the themes from the survey to produce a detailed action plan. A sub-group of our Leadership Team is leading the work to track progress against the plan.

Some of the key areas we acted on this year include reviewing the performance measures for investigative staff, how we recognise and reward great work, how we can work together to improve our working environment and sharing more information about the Executive Team roles.

We have also focused on making it easier for staff to find the information they need to do their jobs, by reviewing the functionality of our staff intranet and updating our casework subject guidance. We are due to run our next staff survey at the start of 2020.

## Gifts and hospitality

Our 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 our members or staff. A register is maintained for any gifts or hospitality that are received and which are not of a trivial nature. In 2018-19, no gifts or hospitality were received or offered that contravened the Commission's policy or were of an exceptional value.

Staff provided details throughout 2018-19 to the Committee and Governance Clerk who updated the register as and when required. The register is published on the LGSCO website at: [www.lgo.org.uk/information-centre/about-us/who-we-are/our-structure](http://www.lgo.org.uk/information-centre/about-us/who-we-are/our-structure)

## 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 principles of good corporate governance in business, leadership, effectiveness, accountability and sustainability.

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## The Audit and Risk Assurance Committee: membership and responsibilities

The Commission has the benefit of an Audit and Risk Assurance Committee that advises the Commission and Accounting Officer. Deep Sagar is an independent member of the Commission and the Chair of the Audit and Risk Assurance Committee. Other members of the Committee included Carol Brady MBE and Prof. Stephen Perkins. The Commission Chair also attends meetings in an advisory capacity. The Accounting Officer, Head of Finance and representatives of our internal and external auditors, and a representative from our sponsor department, Ministry of Housing, Communities and Local Government, 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.

Over the course of the year, the Committee met four times. In undertaking its duties, the Committee has regard to the HM Treasury Audit and Risk Assurance Handbook and the good practice principles.

In 2018-19 the LGSCO undertook a joint procurement for an internal audit service from 2019-20 with PHSO. This value for money exercise was overseen by the Committee throughout the year. The Committee has been involved in reviewing the strategic risk register and risk management policy including risk appetite. The Committee continued to monitor strategic risks and was satisfied risks were being effectively managed (see page 48 for more details). The Committee reviewed actions taken forward from the National Audit Office (NAO) facilitated Committee Effectiveness Review undertaken in 2017-18 and agreed that best practice would be shared and the development of a light touch appraisal process for Committee members. A 'deep dive' of strategic risk 2 gave the Committee the opportunity to look in depth at our approach to managing the risk related to the quality of casework, professionalism of staff and service users' trust in our service.

The 2018-19 internal audit plan contained four agreed audits, the details of which and associated assurance opinions are set out in the table on page 47.

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 Accounting Officer, with the Head of Finance, undertook the annual fraud assurance exercise which involved managers from Leadership Team 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. Their assurance that there had been no incidents of fraud or bribery during 2018-19 was included in the minutes with their assurance that they had no material concerns about the operation of LGSCO controls in relation to fraud, bribery, financial control and risk. In addition, the Committee also received an annual statement of Gifts and Hospitality to provide assurance that policy was being followed.

The Audit and Risk Assurance Committee produced an annual report on its work, which was presented to the Commission. The Committee reported there were no significant issues arising this year. The Committee also reviewed the draft Annual Accounts for 2018-19, 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. – To be provided by ARAC

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

The Commission's Internal Audit provider for the year was the Government Internal Audit Agency (GIAA). Work this year included an agreed programme of four audits informed by strategic objectives and priorities identified by the Executive Team, and follow-up work arising from recommendations from audits. The Audit and Risk Committee monitored progress against the actions at all Committee meetings. The GIAA provides assurance on a four-point scale: Substantial; Moderate; Limited; Unsatisfactory. To undertake this work, the GIAA and the external auditors, the National Audit Office, had access to the Audit and Risk Assurance Committee and its Chair, the Commission and its staff, as appropriate.

Audit	Assurance level
Financial controls	Substantial
Key Performance indicators	Substantial
Cyber Security	Moderate
General Data Protection Regulation *GDPR)	Moderate

The financial controls audit looked into the effectiveness and adequacy of our framework of governance, risk management and financial controls. It included testing the operation of controls using a sample of transactions and approvals.

The audit on Cyber Security provided an independent and objective assurance on the framework of governance, risk management and control relating to the important issue of cyber security. In undertaking this audit, internal audit reviewed systems and procedures, documentation and tested controls.

The General Data Protection Regulation (GDPR) compliance audit looked at the processes and systems in place to ensure that personal data holdings and related processing activities are compliant with the GDPR.

The final audit of key performance indicators involved reviewing the process in which the LGSCO identified and agreed the key performance indicators and the processes in place to ensure that the KPI information reported is accurate, timely and reported to the right individuals.

All audit recommendations were monitored by the Executive Team. Management responses were discussed and recorded, then fed back to GIAA. Recommendations arising from audit reports and management responses were reported at each meeting so that the Audit and Risk Assurance Committee could monitor progress and implementation. At the end of the year, the majority of recommendations were in progress or have been implemented. Actions that have not yet been completed will be carried forward into 2019-20.

Based on the work undertaken during 2018-19, the Head of Internal Audit provided the Audit and Risk Assurance Committee with the following overall assurance assessment:

*“On the basis of the work completed this year and my knowledge of the governance, internal control and risk management frameworks within the LGSCO, I am able to provide a **moderate** level of assurance.”*

There were no findings that materially compromise the LGSCO’s system of internal control and there were no qualifications to this opinion.

## Risk Management

We regularly monitor and review a set of strategic risks which can affect our ability to deliver our strategic objectives. This work is led by the Executive Team, and overseen by the Commission along with the Audit and Risk Assurance Committee.

This is achieved by using our strategic risk register and risk assurance map, and being informed by our risk management policy. The key strategic risks and their current rating are shown in the table below:

Risk	Rating
1. We do not deliver a service which is easy to find and use	RED
2. Our investigations are not impartial, fair or rigorous so we fail to remedy injustice	GREEN
3. We fail to use the learning from complaints to help improve local services	GREEN
4. We lose credibility and are no longer trusted to fulfil our purpose	GREEN
5. Our computer systems fail to operate effectively or are unavailable	GREEN
6. We don’t have the resources or people needed to do our job	AMBER
7. We fail to stay relevant and do not manage change well	AMBER

The updated strategic risk register was closely monitored by the Commission and the Audit and Risk Assurance Committee (ARAC) throughout the year and shared regularly with MHCLG. In addition, particular areas of risk were selected by ARAC for “deep dive” reviews, as already mentioned in this report (p46).

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A more detailed operational risk register, which informs and links to the strategic register, is used by managers. This triggers specific actions to mitigate operational and project risks where necessary. This process was overseen by the Executive Team.

The most significant strategic risk identified this year was the relatively high number of unallocated complaints, covered in Risk 1. We undertook a series of measures to reduce the level but these were only partially successful because of the reduced capacity now available to the organisation. In August, we submitted a business case to MHCLG for additional resources (see page 31 for more details).

The same problems with structural underfunding have been highlighted in relation to strategic risk 6 (we don't have the resources or people needed to do our job), so it was marked as Amber. Risk 7 (we fail to stay relevant and do not manage change well) was also at Amber at the end of the year, due to the ongoing challenges of working effectively with new combined authorities and of managing complaints spanning both health and social care. All other strategic risks were judged to be being managed satisfactorily, with suitable mitigation in place where this was necessary.

The Commission and the Audit and Risk Assurance Committee are satisfied that, during the year, risk was properly managed and effective mitigating action was taken where needed.

## Information security

Information security remains a high priority for LGSCO, given the sensitive personal information we hold about people complaining to us and about our staff. The Director of Investigation is the Commission's Senior Information Risk Owner (SIRO) and was responsible for overseeing this business risk during the year, reporting to the Accounting Officer. The SIRO worked closely with the Data Protection Officer, appointed as part of our duties under the General Data Protection Regulation (GDPR), which came into force on 25 May 2018.

The Information Working Group, which involves staff from across the organisation, met four times during the year. The main focus was on compliance with GDPR. This included reviewing the relevant policies and recommending changes to the Information Security Policy and Access to Information Policy. The group developed and kept under review the Information and Personal Data Asset Register, ensuring all assets have an owner and are regularly reviewed. The risk register was reviewed and kept updated. The Group produced a new consent notice and privacy statements, and recommended a process to ensure all current data subjects received a notice, as soon as possible after the implementation of GDPR. Frequently asked questions on GDPR for staff were published on our intranet and updated as issues emerged. All staff received training on GDPR prior to it coming into force.

Our GDPR implementation plan also enabled us to have our policies and processes in place ready for the implementation date. A small number of items were rolled forward into a post-implementation plan and this mainly included further reviews and updates of the GDPR-ready documents in the light of feedback



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and reflection. Through the year we received 18 requests under the new GDPR rights – half were requesting erasure of material. However, requests received for access to a subject’s personal data and Freedom of Information requests increased by 75%, to more than 350, from a norm of just under 200 each year.

Through our Information Working Group we reviewed data incidents and breaches, identifying learning and implementing individual and organisation-wide changes. An independent audit of our GDPR preparedness provided an assurance that arrangements were largely effective, with just four detailed recommendations, which at the time they were made were either in hand or already completed.

We have ensured that our practices are properly informed by the Government’s “Cyber Essentials” framework, developed by the National Cyber Security Centre.

LGSCO is aware of the requirements set out in the Government’s Security Policy Framework and operates in line with them, as far as they are relevant to the role and responsibilities of the organisation. There were no significant security risks or Security Policy Framework exceptions during the year.

## **The Remuneration and Appointments Committee: membership and responsibilities**

The Commission’s Remuneration and Appointments 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. In 2018-2019, following the annual review of the Committee’s terms of reference and the work of the Learning Organisation business plan initiative, the remit was extended to include providing advice on

senior staff appointments, and scrutiny and advice on our human resources strategy, with a particular focus on people development and succession planning.

The Committee met three times in 2018-19, chaired by Prof. Stephen Perkins. The other members of the Committee were Deep Sagar and Carol Brady MBE (from 31st May 2018). Michael King, Chair of the Commission is also a member. The Head of HR and the Accounting Officer, attended meetings to advise the Committee, except in matters relating to their personal remuneration.

Over the course of the year, the Committee:

- > oversaw the application of the Exceptional Contribution Award Scheme to ensure the scheme had been applied fairly, consistently and in accordance with the prescribed procedure
- > endorsed the Commission Chair’s annual appraisal of the Chief Executive’s performance
- > monitored and managed its own yearly work plan to ensure it is providing timely advice and engaged in assisting the development of the reward and recognition element of the Learning Organisation business plan initiative
- > advised on succession planning development and listened to action being taken in response to comments raised in the staff survey
- > reviewed its own terms of reference to ensure that this reflected accurately the work of the Committee. This led to the remit of the Committee being extended
- > received information about the Chair of the Commission’s performance in 2017-18 and endorsed his objectives for 2018-19.

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## Adherence to service standards

LGSCO is committed to delivering an excellent service to the people who use our service and to the bodies in our jurisdiction. We implemented the new Ombudsman Association Service Standard Framework in 2017-18, and published the results on our website. We continue to play a leading role on the working group, which looks to share best practice and help Ombudsman schemes benchmark effectively against the framework.

This year, we again reviewed and assessed how well we are meeting the detailed service standards in the framework. We are confident our own quality and standards and internal procedures are aligned with the framework, and we will again publish the results. During the review, we noted a number of new areas of work where we have strengthened our adherence to the framework:

- > We developed a new quality and standards report to analyse data from our redesigned customer satisfaction survey and our surveys of bodies in jurisdiction. We anticipate this will provide a more objective measure for ensuring our remedies are appropriate and proportionate.
- > We are developing a graphical interface for our website, scheduled to be launched in July 2019, which aims to improve public accountability and scrutiny of bodies in jurisdiction by placing greater emphasis on compliance with our recommendations.
- > Following a successful pilot in 2018, we now routinely record all incoming and outgoing telephone calls in our Assessment and Investigation teams. We anticipate this will increase the public's confidence when using our service and will enable us to more effectively respond to service complaints about telephone calls with staff.

- > We have established an Editorial Board to improve our written communications with the people who use our service and the bodies in our jurisdiction (see page 12 for more details).

## External advisory forum

While LGSCO is impartial when making judgements on individual complaints, we value the input of different stakeholders when we are considering making changes and improvements to our service. To reflect this, we have an independent advisory forum, members of which are invited to comment on their own experience of our service and give views on proposed changes, providing additional challenge and feedback about our work.

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. Membership of the Forum is generally for a year, during which three meetings are held.

The most recent meeting of the forum focused on reviewing a range of letters and information leaflets which are currently sent at different stages of our investigation process. These discussions contributed to us creating the Editorial Board, mentioned in the previous section.

We are currently refreshing the membership of the Forum, and the first meeting of the new panel will take place later in 2019-20.

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## Independent external reviewer

As with previous years, we have had the benefit of an external independent reviewer who has audited a random selection of our case files where the complainant had a reason to express dissatisfaction with some aspect of the case handling, and to feed back recommendations to help the organisation to improve. This helps to ensure staff and managers are responding properly to such complaints, in line with our established quality standards.

Graham Manfield has continued to act as the independent external reviewer and is appointed on a fixed-term basis in this role. Mr Manfield, has experience of serving with the Metropolitan Police and has considerable experience in evidence handling and supervising investigations and complaints about service provision.

Graham Manfield's independent report is set out below.

### Statement from the External Reviewer

*"I was appointed as the External Reviewer for the Ombudsman in 2014 to look at a sample of service complaints and to report on how well the Ombudsman responded to them, to identify good practice and to make recommendations if necessary. My reviews and recommendations reflect a user-led vision of the Ombudsman's service and are considered as part of the Ombudsman's quality assessment processes to promote wider service improvement and learning.*

*My reviews in August and February covered a wide range of complaints across all parts of the Ombudsman's process. All of the service complaints had been appropriately addressed by managers. Investigators failing to follow guidance had not been identified by managers*

*in a small number of cases, all relating to contact with complainants.*

*I made recommendations to the Ombudsman in respect of five of the 20 service complaints reviewed. The importance of clear, consistent, communication with complainants continues to be highlighted by service complaints including keeping them abreast of progress. The Ombudsman has revised staff guidance to clarify expectations and established an Editorial Board whose purpose is to review standard letters, factsheets and templates. This will be very useful in addressing some of the issues identified in my reviews.*

*Transparency is an important factor in the handling of service complaints and reflects the guiding principles of the organisation. Recordings of telephone calls relating to service complaints have been only routinely available in respect of the initial intake stage. A selective call recording system was introduced in July and, since December, all incoming and outgoing calls across assessment and investigation teams, in addition to those in the intake team, have been recorded. This is a significant step which will greatly enhance transparency and contribute to public reassurance in the impartiality of the Ombudsman's handling of service complaints."*

### Graham Manfield External Reviewer

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## Conclusion

As Accounting Officer, I confirm my satisfaction that the systems of governance, risk management and internal control are operating effectively across LGSCO. The organisation has complied with all relevant external controls and requirements at all times during the year, and has operated in accordance with the Framework Document agreed with the Ministry for Housing, Communities and Local Government.

I am satisfied that LGSCO has managed its resources effectively throughout the year, and these have been focused on delivering a high-quality service in line with statutory responsibilities, the organisation's long-term strategic objectives and the challenging programme of work set out in the 2018-19 business plan, which is published on our website. I can confirm that the systems in place to identify risks are fit for purpose and have helped LGSCO to ensure appropriate and timely action is taken whenever necessary to mitigate the impact of these risks. This is, of course, only made possible by the hard work, skill and dedication of staff working across the organisation, and with the oversight and guidance provided by the Board.

Finally, as has been stated elsewhere in this report, the significant reductions in LGSCO's funding in recent years have an inevitable and significantly detrimental impact on the organisation's ability to deal with the rising demand on our service from the public, particularly where there are unpredictable fluctuations in that level of demand. Despite this, I am satisfied that the available resources are deployed as effectively as they can be and that LGSCO remains clearly focused on delivering our statutory responsibilities to the best of the organisation's ability.

**Nigel Ellis**  
**Chief Executive**  
**Officer**  
**8 July 2019**

# Remuneration and Staff Report

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## Remuneration and Appointments Committee

During the financial year 2018-19, the Remuneration and Appointments Committee met three times. The committee's activities are reported to the Commission.

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

- > Prof. Stephen Perkins
- > Deep Sagar and,
- > Carol Brady MBE (appointed 31st May 2018).

The Chair of the Commission, Michael King, 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 2018-19 a 2.0% pay award was granted with effect from 1 April 2018 (2017-18 - 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 and Appointments Committee and Carol Brady MBE.

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

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

Name	Position	2018-19				2017-18		
		Salary £000	Bonuses £000 <sup>1</sup>	Pension Benefits £000	Total £000	Salary £000	Restated Pension Benefits £000 <sup>3</sup>	Total £000
Michael King	Ombudsman & Chair	135-140	-	18	155- 160	135- 140	84	220-225
Nigel Ellis	Chief Executive	100-105	0-5	35	140- 145	100- 105	24	125-130
Paul Conroy	Director of Intake and Assessment	75-80	-	26	100- 105	75-80	7	80-85
Karen Sykes	Director of investigation	65-70	-	21	85-90	65-70	(11)	50-55

### Notes:

1. Bonuses of £3,267 were paid in 2018-19 (2017-18: £nil)
2. There were no Benefits in Kind paid in 2018-19 (2017-18: £nil)
3. 2017-18 pension benefits have been restated following a recalculation of CETV data at 31 March 2018 by pensions administrators

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.

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

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

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

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

	Total accrued pension at 65 & related lump sum		Real increase/ (decrease) in pension & lump sum at pension age	CETV <sup>1</sup>	CETV <sup>1</sup>	Real increase in CETV
	at 31/3/19		2018-19	at 31/3/19	at 31/3/18	2018-19
	£000		£000	£000	£000	£000
Michael King	55-60		0-2.5	1,008	945	24
Lump sum	95-100		(2.5)-0			
Nigel Ellis	15-20		0-2.5	207	171	20
Lump sum	-		-			
Paul Conroy	20-25		0-2.5	307	275	17
Lump sum	20-25		(2.5)-0			
Karen Sykes	20-25		0-2.5	376	343	18
Lump sum	35-40		(2.5)-0			

1. Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another scheme or arrangement when the staff member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures and the other pension details include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the LGPS arrangements. They also include any additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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

	2019	2019	2019	2018
	£000	£000	£000	£000
	Permanently employed staff <sup>3</sup>	Others	Total	Total
Wages & salaries	7,082	-	7,082	6,620
Social security	785	-	785	740
Other pension costs <sup>1</sup>	962	12	974	913
	<b>8,829</b>	<b>12</b>	<b>8,841</b>	<b>8,273</b>
Temporary staff	-	79	79	63
Redundancy costs	-	-	-	-
	<b>8,829</b>	<b>91</b>	<b>8,920</b>	<b>8,336</b>
Indirect staffing costs <sup>2</sup>	87	-	87	106
<b>Total</b>	<b>8,916</b>	<b>91</b>	<b>9,007</b>	<b>8,442</b>

1. This includes £12,486 (2017-18: £12,121) 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.
3. Staff costs include the Ombudsman

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

At the end of March 2019, the Commission employed 171 FTE (excluding one agency worker, and excluding the Ombudsman):

	Male	Female
Senior Civil Service equivalents	1	-
Directors	1	1
Employees	57	111
<b>Total</b>	<b>59</b>	<b>112</b>



	2019	2018
Average number of full time equivalent staff employed:		
Permanently employed	169	162
Other*	3	2
	<b>172</b>	<b>164</b>

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

Staff numbers exclude the Ombudsman as he is not a member of staff, but his remuneration is shown in the 'Remuneration of senior staff' table on page 55.

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

There were no redundancies or departure costs in 2018-19 (2017-18 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 £13,366.

### Sickness absence data

During the year 1,001 (2017-18: 1,169) working days were lost through sickness absence, 348 (2017-18: 523) of which were due to long term sickness absence. This equates to 2.3% of working time lost (2017-18: 2.8%). This compares to a national average of 2.6% and a public sector average of 3.7% (as reported in the Chartered Institute of Personnel and Development Health and Wellbeing at Work report published in April 2019). There were no reportable trends in the period.

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

	2018-19	2017-18
Band of the highest paid individual total (£000)	135-140	135-140
Median total remuneration	42.5	41.7
Ratio	1: 3.2	1: 3.3

In 2018-19, no employees (2017-18: nil) received remuneration in excess of the highest-paid Commission member. Remuneration ranged from £20,094 to £140,000 (2017-18: £20,058 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 2018-19 was £135,000-£140,000 (2017-18: £135,000-£140,000). This was 3.2 times (2017-18: 3.3) the median remuneration of the workforce, which was £42,486 (2017-18: £41,652).

## 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 2019, there is a mean Gender Pay Gap of +10.3% (2018:+9.1%) but no median Gender Pay Gap between our male and female employees (2018: nil). The Mean Bonus Gender Pay Gap is 33.6% (2018: -26.9%) but there is no Median Bonus Gender Pay Gap (2018: +47.4%).

% of Time	Number
0%	-
1% to 50%	7
51%-99%	-
100%	-

The total cost of facility time was £1,376 which represented 0.016% of the total pay bill (£8,909,000). There were no paid trade union activities.

	Male	Female
Proportion receiving bonus	26.2%	16.7%
Proportion in each quartile band		
- Upper	42%	58%
- Third	35%	65%
- Second	38%	62%
- Lower	20%	80%
<b>Total</b>	<b>34%</b>	<b>66%</b>

## 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:

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

The remuneration of the Advisory Members is as follows:

	2018-19	2017-18
	Total remuneration	Total remuneration
Carol Brady Advisory member	£5,394 (including £519 expenses)	£5,079 (including £579 expenses)
David Liggins Advisory member (left 15 January 2018)	-	£5,160 (including £993 expenses)
Sir Jon Shortridge Advisory member (left 15 January 2018)	-	£4,118 (including £368 expenses)
Prof. Stephen Perkins Advisory member (commenced 16 January 2018)	£5,781 (including £906 expenses)	£2,459 (including £584 expenses)
Deep Sagar Advisory member (commenced 16 January 2018)	£6,953 (including £2,078 expenses)	£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.

## Remote contingent liabilities (audited by the Comptroller and Auditor General)

The Commission does not have any remote contingent liabilities.

**Nigel Ellis**  
Accounting Officer and Chief Executive  
8 July 2019

# Parliamentary Accountability & Audit Report

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## 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 2019. 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 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 2019 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.

### Conclusions relating to going concern

I am required to 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 The Commission for Local Administration's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. 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.

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However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

## **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 in accordance with the Framework Agreement between the Commission and the Ministry for Housing, Communities and Local Government and the Government Financial Reporting Manual.

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.
- > 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

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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.

## Report

I have no observations to make on these financial statements.

**Gareth Davies**

**10 July 2019**

**Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP**

# Statement of Comprehensive Net Expenditure for the year ended 31 March

	Note	2019 £000	2018 £000
Operating income	3	(106)	(75)
<b>Operating expenditure</b>			
Staff costs	4.1	9,007	8,442
Pension loss/(gain)	4.2	1,883	1,755
Accommodation costs	5.1	865	739
Office expenses	5.2	420	400
Professional costs	5.3	363	365
Depreciation & amortisation	7&8	45	94
Meeting & travel costs		169	158
<b>Total operating expenditure</b>		<b>12,752</b>	<b>11,953</b>
<b>Net operating expenditure</b>		<b>12,646</b>	<b>11,878</b>
Net interest costs	6	630	856
<b>Net expenditure for the year</b>		<b>13,276</b>	<b>12,734</b>
<b>Other comprehensive expenditure</b>			
<b>Items which will not be reclassified to net operating costs</b>			
Pension fund actuarial loss/(gain)	13g	(4,807)	(9,842)
<b>Total comprehensive expenditure</b>		<b>8,469</b>	<b>2,892</b>

The notes on pages 68 to 85 form part of these accounts.

All activities are continuing.

# Statement of Financial Position

## as at 31 March

	Note	2019 £000	2018 £000
<b>Assets</b>			
<b>Non current assets</b>			
Plant & equipment	7	49	14
Intangible assets	8	63	66
<b>Total non current assets</b>		<b>112</b>	<b>80</b>
<b>Current assets</b>			
Trade & other receivables	9	232	312
Cash & cash equivalents	10	3,071	3,307
<b>Total current assets</b>		<b>3,303</b>	<b>3,619</b>
<b>Total assets</b>		<b>3,415</b>	<b>3,699</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade & other payables	11	(927)	(1,268)
Provisions	12	(72)	(72)
<b>Total current liabilities</b>		<b>(999)</b>	<b>(1,340)</b>
<b>Total assets less total current liabilities</b>		<b>2,416</b>	<b>2,359</b>
<b>Non current liabilities</b>			
Pension scheme liability	13e	(22,887)	(25,181)
<b>Total non current liabilities</b>		<b>(22,887)</b>	<b>(25,181)</b>
<b>Assets less liabilities</b>		<b>(20,471)</b>	<b>(22,822)</b>
<b>Taxpayers' equity</b>			
General Fund		2,416	2,359
Pension Reserve		(22,887)	(25,181)
<b>Total Taxpayers' Equity</b>		<b>(20,471)</b>	<b>(22,822)</b>

The notes on pages 68 to 85 form part of these accounts.

**Nigel Ellis**  
Accounting Officer  
8 July 2019

**Michael King**  
Chair  
8 July 2019



# Statement of Cash Flows

## for the year ended 31 March

	Note	2019 £000	2018 £000
<b>Cash flows from operating activities</b>			
<b>Net expenditure for the year</b>		(13,276)	(12,734)
Adjustments for:			
Depreciation & amortisation	7 & 8	45	94
Loss on sale of non current assets	5.2	-	-
Finance costs/(income)	3	(15)	(7)
(Increase)/decrease in trade & other receivables	9	80	(121)
Increase/(decrease) in trade & other payables	11	(341)	329
Increase/(decrease) in provisions	12	-	-
Non-cash pension charge/(credit) included in net expenditure for the year		2,513	2,618
<b>Net cash outflow from operating activities</b>		<b>(10,994)</b>	<b>(9,821)</b>
<b>Cash flows from investing activities</b>			
Purchase of plant & equipment	7	(51)	-
Purchase of intangible non current assets	8	(26)	(15)
Interest received	3	15	7
<b>Net cash outflow from investing activities</b>		<b>(62)</b>	<b>(8)</b>
<b>Cash flows from financing activities</b>			
Receipts of Grant-in-Aid financing	2	10,820	10,140
<b>Net cash inflow from financing activities</b>		<b>10,820</b>	<b>10,140</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>(236)</b>	<b>311</b>
<b>Cash &amp; cash equivalents at beginning of period</b>		<b>3,307</b>	<b>2,996</b>
<b>Cash &amp; cash equivalents at end of period</b>	10	<b>3,071</b>	<b>3,307</b>

The notes on pages 68 to 85 form part of these accounts.

# Statement of Changes in Taxpayers' Equity

	Note	General Fund	Pension Reserve	Total Taxpayers' Equity
		£000	£000	£000
<b>Balance at 31 March 2017</b>		<b>2,335</b>	<b>(32,405)</b>	<b>(30,070)</b>
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)	-
<b>Balance at 31 March 2018</b>		<b>2,359</b>	<b>(25,181)</b>	<b>(22,822)</b>
Grant-in-aid financing	2	10,820	-	10,820
Total comprehensive expenditure for the year		(13,276)	4,807	(8,469)
Transfers between reserves in respect of pension fund costs		2,513	(2,513)	-
<b>Balance at 31 March 2019</b>		<b>2,416</b>	<b>(22,887)</b>	<b>(20,471)</b>

The notes on pages 68 to 85 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 13e on page 80 and also in the Directors' Report on page 31.

# Notes to the Financial Statements

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## 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 2018-19 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.

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### 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 valuation of pension scheme assets and liabilities, the Commission's Statement of Financial Position at 31 March 2019 shows net liabilities of £20m. 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 likely that the Bill will be considered by Parliament during 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.

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## 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.

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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 other comprehensive income and financial assets at amortised cost. 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.

### Financial Assets at Amortised Cost

These 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.

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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 has an impact on the Commission.

IFRIC 23 'Uncertainty over Income Tax Treatments' is not effective until 2019-20 and is not expected to have an impact.

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.

IASB has also issued IFRS 17 'Insurance' which is effective from 2021-22 but is not expected to have an impact on the Commission.

### 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 £10,820,000 from the Ministry for Housing, Communities and Local Government (MHCLG) in 2018-19 (2017-18: £10,140,000). Grant-in-Aid is accounted for in the Statement of Changes in Taxpayers' Equity, as discussed in note 1.4.

	2019 £000	2018 £000
MHCLG	10,820	10,140
	<b>10,820</b>	<b>10,140</b>

Represented by:	2019 £000	2018 £000
Revenue	10,735	10,110
Capital	85	30
	<b>10,820</b>	<b>10,140</b>

## 3. Operating income

	2019 £000	2018 £000
Complaint handling training	91	75
Bank deposit interest	15	-
<b>Total</b>	<b>106</b>	<b>75</b>

## 4.1 Staff costs

	2019 £000	2018 £000
	Total	Total
Wages & salaries	7,082	6,620
Social security	785	740
Other pension costs*	974	913
	8,841	8,273
Temporary staff	79	63
	8,920	8,336
Indirect staffing costs**	87	106
<b>Total</b>	<b>9,007</b>	<b>8,442</b>

Analysis of Commissioners'/ Senior managements' salaries can be found on page 55 in the Remuneration and Staff report.

\* This includes £12,486 (2017-18: £12,121) relating to pension payments to a retired Local Government Ombudsman and a surviving widow. In 2018-19, Employer Pension Contributions were comprised of a variable element equal to 13.76% of pensionable salary (2017-18: 13.76%). 2018-19 was the second 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.



## 4.2 Pension loss/(gain)

	2019	2018
	£000	£000
Current service costs	2,753	2,573
Past service costs, including curtailments	-	-
Administration expenses	99	95
Contributions by the employer*	(969)	(913)
<b>Total</b>	<b>1,883</b>	<b>1,755</b>

\* The cost of the contributions by the employer are included in other pension costs in note 4.1

## 4.3 Reporting of compensation schemes - exit packages

The reporting of compensation schemes - exit packages can be found on page 58 in the Remuneration and Staff Report.

## 4.4 Staff numbers

Information about staff numbers can be found on pages 57 and 58 in the Remuneration and Staff Report.

## 5. Operating expenditure

5.1 Accommodation costs		
	2019	2018
	£000	£000
Rent & rates	851	733
Repairs & maintenance	10	1
Health & safety	4	5
	<b>865</b>	<b>739</b>

Rent costs in 2018-19 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.

5.2 Office expenses		
	2019	2018
	£000	£000
Computers & telephone	335	325
Insurance & other office expenses	47	48
Loss on sale of non current assets	-	-
Furniture & equipment rental	20	11
Postage & stationery	18	16
	<b>420</b>	<b>400</b>

## 7. Plant and Equipment

5.3 Professional costs		
	2019	2018
	£000	£000
Legal & litigation	179	189
External audit	33	31
Internal audit	20	21
Commission fees	14	16
Professional fees & subscriptions	51	49
Publicity & research	66	59
	<b>363</b>	<b>365</b>

No remuneration was paid to the external auditors for non audit work in 2018-19 (2017-18: nil).

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

5.4 Amounts paid under operating leases		
	2019	2018
	£000	£000
Buildings	855	734
Other	5	4
	<b>860</b>	<b>738</b>

## 6. Net interest costs

	Note	2019	2018
		£000	£000
Interest on pension fund assets	13i	(1,930)	(1,956)
Interest on pension fund liabilities	13h	2,560	2,819
Bank deposit interest		-	7
		<b>630</b>	<b>856</b>

	Furniture & fittings	Information technology	Total
	£000	£000	£000
<b>Cost</b>			
At 01 April 2018	63	229	292
Additions	30	21	51
Disposals	-	(121)	(121)
<b>At 31 March 2019</b>	<b>93</b>	<b>129</b>	<b>222</b>

<b>Depreciation</b>			
At 01 April 2018	63	215	278
Provided during the year	1	15	16
Disposals	-	(121)	(121)
<b>At 31 March 2019</b>	<b>64</b>	<b>109</b>	<b>173</b>

<b>Cost</b>			
At 01 April 2017	63	260	323
Additions	-	-	-
Disposals	-	(31)	(31)
<b>At 31 March 2019</b>	<b>63</b>	<b>229</b>	<b>292</b>

<b>Depreciation</b>			
At 01 April 2017	55	205	260
Provided during the year	8	41	49
Disposals	-	(31)	(31)
<b>At 31 March 2018</b>	<b>63</b>	<b>215</b>	<b>278</b>

<b>Net Book Value</b>			
<b>At 31 March 2018</b>	-	14	14
<b>At 31 March 2019</b>	<b>29</b>	<b>20</b>	<b>49</b>

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

## 8. Intangible assets

	Total £000
<b>Cost</b>	
At 01 April 2018	1,074
Additions*	26
Disposals	(5)
<b>Cost at 31 March 2019</b>	<b>1,095</b>
<b>Amortisation</b>	
At 01 April 2018	1,008
Provided during the year	29
Disposals	(5)
<b>Cost at 31 March 2019</b>	<b>1,032</b>
<b>Cost</b>	
At 01 April 2017	1,137
Additions	15
Disposals	(78)
<b>Cost at 31 March 2018</b>	<b>1,074</b>
<b>Amortisation</b>	
At 01 April 2017	1,041
Provided during the year	45
Disposals	(78)
<b>At 31 March 2018</b>	<b>1,008</b>
<b>Net Book Value</b>	
<b>At 31 March 2018</b>	<b>66</b>
<b>At 31 March 2019</b>	<b>63</b>

\* Additions of £26,000 in 2018-19 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.

## 9. Trade and other receivables

	2019 £000	2018 £000
Trade receivables	21	111
Deposits & advances**	20	22
VAT receivable	63	39
Prepayments	128	140
	<b>232</b>	<b>312</b>

\*\* Deposits and advances includes staff loans for rail travel - £12,791 (2017:-18 £14,259) and travel advances - £6,800 (2016-17: £7,100).

## 10. Cash and cash equivalents

	2019	2018
	£000	£000
Cash at bank and in hand	3,071	3,307

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 67).

The Commission requires approval from MHCLG to utilise this fund.

## 11. Trade and other payables

Current Trade and other payables		
	2019	2018
	£000	£000
Trade payables	84	241
Other payables	320	320
Accruals & deferred income	523	707
	<b>927</b>	<b>1,268</b>

## 12. Provisions

	2019	2018
	£000	£000
Balance at 01 April	72	72
Utilised	-	-
Provided in year	-	-
Written back	-	-
<b>Balance at 31 March</b>	<b>72</b>	<b>72</b>

	2019	2018
	£000	£000
Balance at 31 March		
Current	72	72
Non current	-	-
	<b>72</b>	<b>72</b>

The Commission has no potential dilapidation liabilities associated with its estates portfolio at 31 March 2019. 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.

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## 13. Pension scheme

13.1 The Local Government Ombudsman (LGSCO) and staff belong to the Local Government Pension Scheme which is a defined benefit (final salary) 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.

13.2 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 (2017-18: 13.76%). The total paid was £968,050 during 2018-19 (2017-18: £907,221). There were no payments in respect of curtailments and settlements arising from redundancies made in the year (2017-18: nil). The employer's and employee's contribution rate is fixed following actuarial assessments every three years. The most recent was the triennial valuation of the Fund at 31 March 2016. This resulted in a three-year schedule of contributions commencing 1 April 2017. The Employer's rate has been determined as 13.76% for the three years 2017-18 to 2019-20. A new triennial valuation will be performed at 31 March 2019 and this will determine contribution rates for the three years from 2020-21.

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.

13.3 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.

13.4 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 2018-19 amounting to £12,486 (2017-18: £12,121).

13.5 In December 2018 the Court of Appeal ruled against the government in two cases: *Sargeant and others v London Fire and Emergency Planning Authority* [2018] UKEAT/0116/17/LA and *McCloud and others v Ministry of Justice* [2018] UKEAT/0071/17/LA. The cases related to the Firefighters'

Pension Scheme (Sargeant) and to the Judicial Pensions Scheme (McCloud). For the purposes of the LGPS, these cases are known together as 'McCloud'. The court held that transitional protections, afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination.

It is expected that the ruling will result in a liability to LGSCO for LGPS. The Government Actuarial Department (GAD) has estimated the financial impact of one possible remedy to be equal to 3.2% of active liabilities on a scheme-wide basis. The GAD estimate has been prepared on an 'average' member basis and is highly sensitive to the earnings growth assumption. On the basis of this scheme-wide estimate, and taking into account the age profile of the entity's membership, the impact is not expected to be significant for LGSCO. On this basis no specific provision for the potential additional liabilities arising from McCloud have been accounted for.

13.6 Further commentary is available in the Directors' Report on pages 31 and 32.

13.7 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 2018-19 for the scheme.

### a. Financial assumptions

Year ended:	31 March 2019 %pa	31 March 2018 %pa
Inflation/pension increase (RPI)	3.4	3.3
Inflation/pension increase (CPI)	2.4	2.3
Salary increase rate	3.9	3.8
Pension increases	2.4	2.3
Discount rate	2.4	2.55

### b. Demographic assumptions

Life expectancy in years from age 65	2019	2018
Retiring today - males	21.3	22.3
Retiring today - females	23.9	24.9
Retiring in 20 years - males	23.1	24.6
Retiring in 20 years - females	25.8	27.2

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 2018 model and allowing for a minimum rate of improvement of 1.5%. At 31 March 2018, the CMI 2015 model was adopted and the effect of updating to the most recent model is reflected in the Change in Demographic Assumptions in Notes 13g and 13h.

The actuary also made the following assumptions:

- > that members will exchange half of their commutable pension for cash at retirement;
- > that active members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age (21 years); and

- > that the proportion of the membership that had taken up the option under the new LGPS to pay 50% of contributions for 50% of benefits at the previous valuation date will remain the same.

The actuary is not required to disclose an expected return assumption for the year to 31 March 2019.

### c. Estimated asset allocation

Year ended	31 March 2019	31 March 2018
	%	%
Equities	54	61
Target return funds	27	23
Infrastructure	6	4
Property	9	7
Cash	4	5
<b>Total</b>	<b>100</b>	<b>100</b>

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

	31 March 2019 £000	31 March 2018 £000
Equities	44,746	46,440
Target return funds	21,934	17,021
Infrastructure	4,956	3,322
Property	7,734	5,465
Cash	2,879	3,700
<b>Total</b>	<b>82,249</b>	<b>75,948</b>

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2019 is estimated to be 9%. This is based on the estimated Fund value used at the previous accounting date and the estimated Fund value used at this accounting date. The actual return on Fund assets over the period may be different.

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

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

Year ended	Note	31 March 2019 £000	31 March 2018 £000
Fair value of employer assets	13d & 13i	82,249	75,948
Present value of funded obligation	13h	(105,136)	(101,129)
<b>Net (liability)</b>		<b>(22,887)</b>	<b>(25,181)</b>

In 2018-19 the deficit has decreased from £25,181,000 to £22,887,000. There are three main offsetting factors in driving this movement; firstly the change in mortality assumptions to reflect the most recently published data, which decreased the estimated liabilities by £4.7M; secondly, the positive return on assets less interest of £5.0M; and thirdly, the change in the financial assumptions which increased the present value of scheme liabilities by £4.9M (see note 13g).

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 2019 on this basis the fund has a surplus of approximately £14.2m (2017-18: £13.9m)

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.

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

Year ended	31 March 2019 £000	31 March 2018 £000
Service cost*	2,753	2,573
Net interest on the defined liability (asset)	630	863
Administration expenses	99	95
<b>Total</b>	<b>3,482</b>	<b>3,531</b>

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

## g. Remeasurements and other comprehensive income

Year ended	Note	31 March 2019 £000	31 March 2018 £000
Return on plan assets in excess of interest	13i	4,991	2,081
Other actuarial gains/(losses) on assets	13i	-	223
Changes in financial assumptions	13h	(4,904)	4,957
Changes in demographic assumptions	13h	4,720	-
Experience gain/(loss) on defined benefit obligation	13h	-	2,581
<b>Pension fund actuarial (loss)/gain</b>		<b>4,807</b>	<b>9,842</b>

Changes to the financial assumptions have increased the present value of scheme liabilities by £4.904m at 31 March 2019 (31 March 2018: decrease in liabilities of £4.957m).

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

Year ended	31 March 2019 £000	31 March 2018 £000
<b>Opening defined benefit obligation</b>	<b>101,129</b>	<b>105,489</b>
Current service cost	2,753	2,573
Interest cost	2,560	2,819
Change in financial assumptions	4,904	(4,957)
Change in demographic assumptions	(4,720)	-
Experience loss/(gain) on defined benefit obligation	-	(2,581)
Estimated benefits paid	(2,017)	(2,708)
Past service costs, including curtailments	-	-
Contributions by members	527	494
<b>Closing defined benefit obligation</b>	<b>105,136</b>	<b>101,129</b>



<b>i. Reconciliation of fair value of employer assets - CLAE share</b>		
<b>Year ended</b>	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£000</b>	<b>£000</b>
<b>Opening fair value of employer assets</b>	<b>75,948</b>	<b>73,084</b>
Interest on assets	1,930	1,956
Return on assets less interest	4,991	2,081
Other actuarial gains/ (losses)	-	223
Administration expenses	(99)	(95)
Contributions by the employer	969	913
Contributions by members	527	494
Estimated benefits paid	(2,017)	(2,708)
<b>Closing fair value of employer assets</b>	<b>82,249</b>	<b>75,948</b>

<b>j. Sensitivity analysis</b>			
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation	103,029	105,136	107,288
Projected service cost	2,705	2,775	2,847
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	105,334	105,136	104,939
Projected service cost	2,775	2,775	2,775
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	107,087	105,136	103,224
Projected service cost	2,847	2,775	2,705
Adjustment to life expectancy assumption	+1 year	None	-1 year
Present value of defined benefit obligation	108,852	105,136	101,547
Projected service cost	2,870	2,775	2,683

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 2020

### Projections for the year to 31 March 2020

	£000
Service cost	2,775
Net interest on the defined liability	537
Administration expenses	107
<b>Total</b>	<b>3,419</b>
<b>Employer contributions</b>	<b>984</b>

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

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

Estimated employer's contributions for 2019-20 are £984,000 (2018-19: £922,000).

## 14. 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, £62,857 is due from HMRC (2018: £39,338). A further amount of £19,591 is due from current employees of the Commission and is to be collected through regular payroll deductions (2018: £21,637). 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.

	2019	2018
	£000	£000
Value of interest yielding deposits at 31 March	3,071	3,307
Income effect of a 1% increase in interest rates	30	33
Income effect of a 1% decrease in interest rates	(30)	(33)

## 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 £3,070,315 (2017: £3,306,564). As a result of these policies, the Commission does not feel that it is exposed to significant liquidity risk arising from its financial instruments.

## 14.1. 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.

## 15. Operating Lease Commitments

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

	31 March 2019	31 March 2018
	£000	£000
<b>Buildings - amounts payable:</b>		
Not later than one year	386	359
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Total</b>	<b>386</b>	<b>359</b>
<b>Other - amounts payable:</b>		
Not later than one year	9	2
Later than one year and not later than five years	22	-
Later than five years	-	-
<b>Total</b>	<b>31</b>	<b>2</b>

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## 15.2. Description of significant lease arrangements

During 2018-19, 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.

## 16. Capital Commitments

The Commission was contractually committed to £16,600 of expenditure on non-current assets at 31 March 2019 (2018-19: £nil).

## 17. 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 three Government-owned properties and pays a material rent charge for each. There are premises in London where MHCLG acts as the landlord and in addition 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 2018-19.

During 2018-19 one member of staff was seconded to the Housing Ombudsman, another body sponsored by MHCLG. Any other bodies sponsored by MHCLG are considered to be related parties.

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 13.

## 18. 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

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## 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

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## 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

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(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.

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

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

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

For the purposes of this sub-paragraph:

(i) A key manager means a member of the Commission's Executive Team including the ex-officio and advisory members.

(ii) The close family of an individual is the individual's spouse, the individual's relatives and their spouses, and relatives of the individual's spouse. For the purposes of this definition, "spouse" includes personal partners, and "relatives" means brothers, sisters, ancestors, lineal descendants and adopted children.

(iii) A controlling shareholder of a company is an individual (or an individual acting jointly with other persons by agreement) who is entitled to exercise (or control the exercise of) 30% or more of the rights to vote at general meetings of the company, or who is able to control the appointment of directors who are then able to exercise a majority of votes at Commission meetings of the company.

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





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